

Consumer co-operatives and the transformation of modern food retailing

A comparative study of the Norwegian and British Consumer Co-operatives, 1950-2002

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Preface

In the late autumn of 2002 I was asked to undertake a short inquiry into a failed attempt made by the National Co-operative Association (NKL) to expand into the furniture business. The failure had led to substantial losses for the NKL and the NKL Board of Representatives had asked for an independent investigation into the chain of events leading up to the failure, as well as its economic consequences. At that time I was working at the Institute for Social Research and together with a colleague I finished the report in March 2003.

The report marked the start of a long and fascinating journey into the history of retailing in general and the history of consumer co-operative enterprises in particular. Just a few months after the report of the furniture failure was completed, I was asked to participate in long-term project studying the history of the Norwegian consumer co-operatives. Working on this project I was immediately fascinated by the finding that consumer co-operative enterprises had developed so unevenly in different Western European countries during the post-war period. Not least I was fascinated by the discovery that the Norwegian consumer co-operatives were among those which had developed most successfully. How had this development come about? Why had the Norwegian co-ops developed so positively in the post-war period, when so many other consumer co-operatives had declined and even collapsed totally during this period? The question immediately triggered my curiosity. But, the history of the Norwegian co-ops had to be finished and there was only limited time to explore this broader comparative issue.

Then, in 2004 I was granted a Ph.D. scholarship by the Forum for Contemporary History at the University of Oslo. The scholarship gave me the opportunity to study in more depth the development of consumer co-operative organisations as alternative forms of retailing enterprises. I chose to approach the task by way of a comparative study of the Norwegian and British consumer co-operatives, focusing on these two organisations' divergent economic developments in the post-war period. The present thesis is the result of this work.

Academic research is often a lonely endeavour. The present study has, however, benefited from the support of numerous people to whom I owe a great debt. First of all I would like to thank Fredrik Engelstad and Trygve Gulbrandsen, two great Norwegian sociologists. Neither of

them have had any direct influence on the present work, but they have both played a crucial role in providing me with the academic skills necessary to successfully finish a Ph.D. thesis. When I was writing my Cand.polit. thesis in sociology, Fredrik was my supervisor. Later I was privileged to have him as my manager at the Institute for social research and together with two other colleagues we also co-authored a book. Fredrik has taught me a lot about doing research. Most importantly, he has taught me that the empirical facts always have to come before any advanced theory. I am also grateful to Trygve Gulbrandsen. In addition to being a great intellectual, Trygve has taught me a lot about the importance of positive feedback within academic life and of treating students and colleagues with respect and humility.

Secondly, I need to thank the hiring committee at the Forum for Contemporary History for providing me (a sociologist by training), with the opportunity to become a part of one of the best and most stimulating historic research milieus in the country. Being a Ph.D. student at the Forum has given me the opportunity to meet, become acquainted with and learn from a number of highly talented historians. I am especially indebted to all participants at internal Ph.D. seminars for their comments and suggestions on chapters and earlier drafts of this thesis.

Thirdly, my long term collaborator Jon Vatnaland deserves a big thank you. We first met as first year students in sociology. From then on, we were almost inseparable for years, writing our Cand.polit. thesis together and later collaborating on several research projects, including all the above mentioned studies. With his bubbling enthusiasm and endless intellectual imagination Jon is a very stimulating colleague. He has also made several important suggestions on the present study.

My colleague Eivind Merok has read and reread the thesis meticulously and provided important suggestions and comments. He has also provided invaluable technical guidance as well as much needed administrative assistance in the final stages of completing the present work.

Finally, I need to thank my supervisor, Professor Even Lange. First of all for believing in me and for recommending me for a Ph.D. scholarship in history; then for helping me develop and complete the thesis.

Apart from the people that have contributed intellectually, I am also indebted to a series of other people who in different ways have contributed to the completion of the study. For archival work to be efficient and successful, assistance and guidance is necessary. Here I have also been privileged. The sources on which the study is based have largely been collected from two national archives, the archive of the Norwegian Co-operative Association (NKL) in Kirkegata 4, Oslo and the National Co-operative Archive in Manchester, UK. In the NKL archive, the head of administration Helene Mevik has been an invaluable source of help and support. Working in

the National Co-operative Archive in Manchester I have been ably assisted by the knowledgeable and always welcoming archivist Gillian Loneragan, as well as her two very helpful assistants, Janice Miller and Karyn Stuckey. I am also extremely indebted to my proof reader Natja Thorbjørnsen, who has been vital in transforming the document into readable English.

I could not have finished this thesis without the immense support and patience of my wife, Monica. Monica is one of those rare people who is able to offer the combination of advanced intellectual stimuli and enjoyment of life's simple pleasures. This thesis is dedicated to her and our daughter Agnes.

Blindern, February 2008

Espen Ekberg

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Chapter 1: Introduction

The theme of this study is the divergent development of consumer co-operative organisations in Western Europe in the period from 1950 to 2002. It explores the reasons why some consumer co-operatives throughout this period failed to defend their market share and lost a substantial number of members, while others strengthened their market position and increased their membership. The study investigates this question by way of an in-depth comparative historical analysis of the post-war development of the Norwegian and the British consumer co-operative movements.

By the inter-war period consumer co-operative enterprises had been established as one of the major players in the food retail market of most Western European countries, controlling a substantial market share and organising a considerable number of members. As a user (consumer) owned and democratically governed business, 'the co-op' was firmly established as an important alternative to traditional forms of capitalist commerce. From the 1950s onwards, however, most of these organisations started to stagnate. Market share was lost, membership evaporated and the economic results gradually worsened. In countries such as the Netherlands, Belgium, France, Germany and Austria, consumer co-operative trade disappeared more or less completely. In others, such as the UK, the co-ops managed to survive, but with huge losses in both market share and membership.¹

This development pattern was, however, not unequivocal. In Norway, the national consumer co-operative movement continued to grow and strengthen its position in the years following the Second World War. By 2002, roughly 24 per cent of the Norwegian food retail market was controlled by co-operative retailers. And with almost one million registered members, roughly half of the total number of Norwegian households held a co-operative membership.² Along similar lines, consumer co-ops in the other Nordic countries, most notably Finland, as well as in Italy and Switzerland, also managed to retain a substantial position in their respective home markets.³

¹ For a broad overview of these developments, see J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol.1 and 2* (Geneva: International Co-operative Alliance, 1989).

² E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006).

³ For Finland see R. Schediwy, 'The consumer co-operatives in Finland', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 2* (Geneva: International Co-operative Alliance, 1989); for Italy see P.

The main objective of the present analysis is to explore these divergent development patterns. It does so by way of a comparative analysis of the divergent development paths of the Norwegian and British consumer co-operative movement. The fundamental question to be answered is why the Norwegian consumer co-operative movement, throughout the post-war period, managed to strengthen and sustain its market share and increase membership, while the British movement in the same period lost substantial market share and saw membership figures decline dramatically.

Recent years have seen a resurgence of interest in studying the historical development of consumer co-operation.⁴ Important insights have been gained from these studies. But, in terms of understanding the divergent development paths of post-war consumer cooperative enterprises, they are hampered by important limitations that invite further research.

First, existing histories of consumer co-operative enterprises have normally been written in a narrative of rise and decline. This is understandable to the extent that such a narrative seems to capture the development pattern of most consumer co-operative organisations. But, such studies tend to neglect the organisations that actually managed to defend and strengthen their position during the post-war years. To fully account for the post-war developments in consumer co-operative organisations this divergent development pattern needs to be investigated in more detail. This calls for comparative investigations, systematically analysing co-operative organisations showing divergent development paths. The present thesis seeks to show the possible merits of such an approach.

Secondly, the pre-dominance of the rise and decline narrative has helped sustain a commonly held assumption about the consumer co-operative as an outmoded organisational form that simply was unsuited to operate in the post-war capitalist consumer society. But, as long as consumer co-operative enterprises continue to operate and flourish in several countries, such a general assumption can not be upheld. At least, it needs to be critically examined through systematic empirical research, exploring in detail why so many consumer co-operatives failed to adapt to the competitive and societal changes of the post-war period and why and how other co-

Battilani, 'How to beat competition without loosing co-operative identity: the case of Italian consumer co-operatives', in ACTA of the International Congress, *Consumerism versus capitalism? Co-operatives seen from an international comparative perspective* (Gent: AMSAB, 2005) or V. Zamagni, P. Battilani and A. Casali, *La cooperazione di consumo in Italia : Centocinquanti anni della Coop consumatori: dal primo spaccio a leader della moderna distribuzione* (Bologna, il Mulino, 2004); for Switzerland, see J. Setzer, 'Switzerland', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989). Another exception at the positive end is the Co-operative Retailing System in western Canada, see B. Fairbairn, *Living the dream. Membership and marketing in the Co-operative Retailing System* (Saskatchewan: University of Saskatchewan, 2003).

⁴ For an overview, see L. Black and N. Robertson (eds), *Taking Stock: Consumerism and the Co-operative Movement in Modern British History* (Manchester: Manchester University Press, forthcoming 2008).

ops managed to adjust to these changes. The present study aims at such a critical, empirical examination.

Finally, existing histories of consumer co-operative organisations have largely failed to explore the interplay between the co-ops' overall development and major changes in the competitive and societal environment in which these organisations actually operated.⁵ In short, there has been too little dialogue between historians of consumer co-operatives and historians of modern retailing. The present study seeks to address this shortcoming by focusing specifically on how the Norwegian and British consumer co-ops developed their retailing operations in meeting with fundamental competitive and societal transformations. It simply explores how the two movements adapted their stores, their organisational structure and ideological profile to secure continued economic survival. As such, the study is an attempt to develop a thorough economic history of the post-war consumer co-operative enterprises.

Our understanding of the divergent development paths of post-war consumer co-operative enterprises is still inadequate. The present analysis is an attempt to improve this situation. It seeks to do so by examining and explaining the divergent post-war development paths of the British and Norwegian consumer co-operatives. In addition to identifying the particular factors contributing to the divergent development of these two organisations, such an analysis may also provide new and improved insights into the more general phenomenon of post-war success and decline among consumer co-operative organisations.

The remaining part of this introduction provides a background presentation of the empirical phenomena to be studied. It further presents and critically evaluates existing research on the post-war development of consumer co-operative organisations and outlines the analytical and methodological framework of the analysis, including a critical examination of the sources on which the study is based. A final sub-chapter provides a short outline of the study as a whole.

⁵ Important exceptions include A. Hallsworth and J. Bell, 'Retail change and the United Kingdom Co-operative Movement – new opportunity beckoning?', *International Review of Retail, Distribution and Consumer Research*, 13.3 (2003), 301-15; L. Sparks, 'Being the best? Co-operative retailing and corporate competitors', *Journal of Co-operative Studies*, 104 (2002), 7-26 and P. Battilani, 'How to Beat Competition without Losing Co-operative Identity: the Case of Italian Consumer Co-operatives', in ACTA of the International Congress, *Consumerism versus Capitalism? Co-operatives seen from an International Comparative Perspective*. Gent: Amsab Institute of Social History, 2005). These are discussed more thoroughly in a subsequent sub-chapter.

Consumer co-operatives – organisational characteristics and historical developments

A co-operative is a specific form of economic enterprise.⁶ Compared with the traditional, investor-oriented firm, the co-op differs in at least three important respects.⁷ First, while investor-oriented firms are owned by financial investors without any other necessary relation to the firm than their investment, co-ops are owned by their users. Secondly, in a traditional investor-owned business, the control of the enterprise is decided by the number of shares held in the company. In co-operatives, the users control the enterprise democratically on the principle of one member one vote.⁸ Finally, while other businesses return the surplus on the basis of capital holdings, the co-op returns the surplus on the basis of use. The more extensively the member uses the enterprise, the larger the share of the surplus.

Co-operatives come in many different forms and exist within many different sectors of the economy. They operate within the banking and insurance industry, in farming and fisheries, in housing, within different types of services industries and in retailing. Consumer co-operatives primarily operate within the retailing industry.⁹ In their original form consumer co-operatives were established to secure the interest of the consumers in the retail market and they primarily did so by opening retail stores owned and controlled by the consumers as members.

The core business of these retail co-operatives has always been the food trades.¹⁰ In truth, many societies were originally established to cater for the broad needs of the consumer. They thus held a wide selection of products, including numerous non-food items. Throughout the post-war years, most co-operative societies continued to offer a wide selection of merchandise, either through department stores, superstores and hypermarkets or through separate non-food outlets. In fact, a recurring challenge discussed by most retail co-operatives throughout the post-

⁶ Throughout the thesis I use the term 'co-operative' and 'co-op' and not 'cooperative' and 'coop'. This denotes the traditional usage in Great Britain. Non co-operative businesses will, following Barton, in general be termed investor-oriented firms (IOFs) (D. Barton, 'What is a cooperative?', in D.W. Cobia, *Cooperatives in Agriculture* (Englewood Cliffs, New Jersey: Prentice Hall, 1989). When natural, other more specific names such as 'joint-stock company', and 'family owned businesses' may be used. For the sake of simplicity and variation I also employ expressions such as 'private firms' and 'investor owned firms' to describe organisational forms other than co-operatives, even if these expressions blur the principle characteristics demarcating these different types of organisations. Co-operatives are also 'privately owned' and the members may obviously be regarded as investors in the co-op enterprise.

⁷ According to D. Barton, 'What is a cooperative?', in D. W. Cobia, *Cooperatives in Agriculture* (Englewood Cliffs, New Jersey: Prentice Hall, 1989). For an overview in Norwegian, see T. Johnstad, *Samarbeid og samvirke. Utrikling og organisering av samvirke* (Oslo: Tano Aschehoug, 1998).

⁸ True, there are exceptions to this principle. Specifically in larger federative co-operative systems voting rights may be weighed against differences in sales, differences in number of members etc.

⁹ This is true even if many of them have also operated their own wholesaling and production facilities. Recent years have also seen some consumer co-ops – such as the British – develop heavily into the service industry. Their main form of trade has, however, always been in retailing. Illustrative of this is that in the UK, the term 'retail co-operative' is used interchangeably with 'consumer co-operative'.

¹⁰ For the purpose of variation, I use the terms 'consumer co-operative society', 'consumer co-operative', 'consumer co-op', 'co-operative society', 'retail co-operative society', 'retail co-operative' retail co-op' and 'retail society' interchangeably.

war period was how to decrease their reliance on food and strengthen the position in the non-food trades. Food has, however, remained the main form of trade in which the consumer co-ops operate. By 2002 it constituted close to 80 per cent of total co-operative retail trade in Norway.¹¹ The similar figure for the UK movement's retail trade was 83 per cent.¹²

Local retail societies have formed the basic units in the development of national co-operative movements. As the retail societies developed their strength locally, national secondary co-operatives, owned and controlled by the retail co-ops, were established to take care of common functions. Of these, wholesaling has been the most important. Hence, in 1863 British retail co-operative societies had already established a common wholesale business, the Cooperative Wholesale Society (CWS).¹³ Five years later a similar organisation was set up in Scotland, the Scottish Co-operative Wholesale Society (SCWS).¹⁴ In Norway, the National Co-operative Association (NKL) was established in 1906, partly to take on wholesaling functions for the local retail societies.¹⁵ By 1911, similar national co-operative wholesaling organisations had been established in most countries where retail co-ops had been formed.¹⁶

In addition to wholesaling, the majority of these federative organisations also developed a substantial productive business. At its height in 1939, the CWS ran 117 different manufacturing plants producing everything from biscuits (its first factory, opened at Crumpsall in 1873) and bread to bacon, shirts, shoes, bicycles, umbrellas and corsets.¹⁷ In Norway, the NKL opened its first factory in 1911. The factory produced margarine. By 1956 the national association ran 13 factories, producing such diverse products as tobacco, flour, shoes, washing machines and radios.¹⁸ Sales from the factories accounted for close to 30 per cent of the NKL's total turnover.¹⁹

¹¹ Figures estimated from Norges Kooperative Landsforening, *Annual report 1997*. Note that figures are from 1997 and concern sales from the NKL to retail societies.

¹² Co-operatives UK, *Consumer Co-operatives Performance Review 2002* (Manchester: Co-operatives UK, 2003). Note, however, that as the UK co-ops operate a substantial non-retailing business, such as funeral services, travel agencies, motor trade companies and dairies, food constituted only 41 per cent of total consumer co-operative trade in 2002. As a share of the movement's *retail trade*, however, it constituted more than 80 per cent. Food was also the single largest trade operated by the co-op movement in terms of turnover, followed by funerals.

¹³ P. Redfern, *The New History of the CWS* (London: J. M. Dent and Sons Limited, 1938).

¹⁴ J. Kinlock and J. Butt, *History of the Scottish Co-operative Society Limited* (Glasgow: Co-operative Wholesale Society Limited, 1981).

¹⁵ For a full description of the establishment of the NKL, see E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerorganisasjonens historie i Norge* (Oslo: Pax, 2006), pp. 57-87.

¹⁶ This happened in France (UC 1885), the Netherlands (DCA 1889) Switzerland (VSK 1890/93), Germany (GEG 1894), Denmark (FDB 1896), Sweden (KF 1899), Austria (ZÖK 1903), Finland (SOK 1904/KK 1916) and Italy (1911), see J. Brazda and R. Schediwiy (eds), *Consumer co-operatives in a changing world, vol. 1 and 2* (Geneva: International Co-operative Alliance, 1989) and N. F. Christiansen, 'Between farmers and workers: Consumer cooperation in Denmark, 1850-1940, in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999).

¹⁷ For a full description, see W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 65-8.

¹⁸ In addition, coffee was produced at regional NKL warehouses.

Similar developments were also seen in most other countries. Throughout the latter half of the twentieth century most of these production facilities were, however, disposed of in a process of thorough rationalisation. But historically they had played a major role in building up the position and competitive strength of consumer co-operation.

In some countries the common wholesaling and productive organisations would also take on educational and ideological functions. They served as an arena to discuss the practice of co-operation and to promote the co-operative business model to the political establishment, the business community and the general public. When the Norwegian Co-operative Association (NKL) was formed in 1906 for example, it was consigned to establishing a ‘close connection between educational work and commercial activities’.²⁰ This combination of commercial and ideological functions was typical also of the Danish and the Swedish national associations (Fællesforeningen for Danmarks Brugsforeninger (FDB) and Kooperativa Förbundet (KF)), both formed in the latter half of the 1890s. In other countries, most notably the UK, commercial and ideological functions were organisationally separated. Hence in Britain, a separate Co-operative Union was formed in 1869 as a second national federation, owned by both English and Scottish retail societies.²¹ The principle purpose of the organisation was, in the words of the organisation's centenary historian, to be a ‘guardian of co-operative principles; the forum of co-operative discussion; the defender of co-operative liberties and the driving force of a social and economic movement’.²² The union operated alongside but fully independent of the CWS/SCWS.

On the basis of this development pattern, national consumer co-operative movements typically developed into large federative organisations. Local retail co-ops formed the primary units, while national federative organisations, owned and controlled by the retail societies, were developed to serve common functions. Together they formed a national, consumer co-operative business.

The historical development of this business is, as already noted, most often written as a narrative of ‘rise and decline’. And this narrative indeed captures the development pattern of

¹⁹ E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), p. 333.

²⁰ Norges Kooperative Landsforening, *Protokoll fra det Kooperative Landsmøtet 1906* (Kristiania: Norges Kooperative Landsforening, 1906), cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), p. 91.

²¹ That is, the first co-operative congress was held in London in 1869, in order to mark the formation of the organisation later to become known as the Co-operative Union, see D. Flanagan, *A Centenary Story of the Co-operative Union of Great Britain and Ireland* (Manchester, Co-operative Union Ltd., 1969).

²² *Ibid.*, p. 3.

most consumer co-operative organisations.²³ From their emergence in the mid-nineteenth century, consumer co-operative movements gradually managed to gain substantial market share in their respective home markets. By the inter-war years, co-ops were firmly established as an important alternative to the dominant forms of private food retailing in most Western European countries. From the 1950s onwards, however, a large number of co-operative enterprises came into severe economic difficulties. In countries such as the Netherlands, Belgium, France, Austria and Germany the consumer co-operative movement more or less totally collapsed. While some small, local and independent retail societies managed to survive, the co-op simply disappeared as a national movement in these countries. In other countries, most notably the UK, the co-operative form of enterprise had to accept a dramatic decline in market share. By the turn of the millennium, the overall position of co-operative trade in Western Europe was thus dramatically weakened. After having risen to prominence in the final decades of the nineteenth and first half of the twentieth century, the post-war years turned out to be a period of more or less unbroken decline.

This narrative of rise and decline does not, however, capture the experience of all consumer co-operative movements. In countries such as Norway, Finland, Italy, Switzerland, Denmark and Sweden developments in the post-war period were much more positive. Consumer co-operatives in these countries manage to defend and in some instances even strengthen both their market position and their membership.²⁴ By the turn of the millennium they continued to hold a substantial market share in their respective home markets.

The history of the consumer co-operative enterprise is therefore broadly a history of rise and decline, but with some important exceptions. Despite the fact that the co-op as an alternative form of economic organisation has been marginalised in many Western European countries, some national consumer co-ops still hold substantial market position and an impressive membership. It is these divergent development patterns that serve as the basic starting point for the present study. By analysing the more successful experiences in light of the less successful ones, it is believed that new insights can be gained about the development patterns of consumer co-operative organisations in post-war Europe.

²³ See E. Ekberg, E. Lange and E. Merok, 'A successful latecomer: Growth and transformation of the Norwegian consumer co-operatives 1920-2000' *Paper presented at the XIV International Economic History Congress, Helsinki, 21.-25. August 2006*.

²⁴ Note, however, that the strong position of the Danish and Swedish movements hides the fact that these organisations have experienced huge profitability problems since the 1970s, and have largely survived by the selling of assets. In Finland, the development has also been characterised by numerous ups and downs. The dominant S-co-operative was close to collapse in the 1980s, but managed from the early 1990s onwards to regain new growth. The other main co-operative group, Tradeka, as well as the Helsinki based Elanto co-operative, were close to bankruptcy in the mid-1990s, but were ultimately saved by a so-called chapter 11 application.

To carry out the investigation, two consumer co-operative movements showing divergent development patterns have been selected. These are the Norwegian and the British consumer co-ops. These two cases represent ideal empirical examples of the divergent development patterns just outlined. The experience of the Norwegian consumer co-op is perhaps the best illustration of how the co-operative movement managed to survive, despite dramatic transformations in the competitive and societal environment in which it operated. The Norwegian co-ops developed steadily throughout the post-war period, producing stable profits and without experiencing any fundamental economic crisis threatening their very existence. Since the mid-1970s, the co-operatives share of the food retail market has been stable at approximately 24 per cent and the organisation is the market leader in several different store segments. Parallel to these economic achievements, the movement has also experienced a steady rise in membership. With close to one million members by 2002, twenty per cent of the population or half of the total number of households hold a co-operative membership.²⁵

The development of the British consumer co-operative movement on the other hand is an evocative example of the many problems experienced by consumer co-operative enterprises in the post-war period. True, with more than 3,000 outlets and a turnover in 2002 of roughly five billion pounds, by the turn of the millennium British co-operatives are still running a substantial food retail business.²⁶ In addition, the movement controls substantial operations within such diverse trades as pharmacies, funeral services, motor trades, banking and travel. However, the market position of the UK co-ops at the beginning of the new millennium, not least in the food trades, has dramatically weakened from what it was fifty years ago. From the mid-1950s to 2002, the share of the food retail market was reduced to a fourth of its peak level of more than 20 per cent. Membership has also declined. While more than thirteen million people, or close to half of the total number of households, were reported to be involved in the co-op by the mid-1960s, in 2000 real figures were down to less than 2 million or approximately 8 per cent of all households.²⁷

The divergent developments of the British and Norwegian consumer co-operatives are thus indicative of the general pattern of consumer co-operative development in post-war Europe. The British experience is representative of the large number of co-ops that have lost out dramatically, while the Norwegian development is typical of the ones that have managed to

²⁵ National Co-operative Association archive, Kirkegata 4 Oslo, from now on referred to as K4, anteroom of the administration, 'figures developed by AC Nielsen for the Boston Consulting Group and Coop NKL', 24 January 2006 and Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

²⁶ Co-operatives UK, *Consumer Co-operatives Performance Review 2002* (Manchester: Co-operatives UK, 2003).

²⁷ Figures from Co-operative Union Ltd, *Co-operative statistics* (selected years); National Statistic, *Social trends No 36* (amended 2006 edition); National statistics, *Population trends no 123* (spring 2006) and The Co-operative Commission, *The co-operative advantage. Creating a successful family of co-operative businesses* (Manchester: The Co-operative Commission, 2001). See the sub-chapter 'Sources' for a discussion of the UK membership figures.

survive and even strengthen their position. Before our analysis of these divergent developments can proceed, however, a thorough examination of the research that already exists on post-war development of consumer co-operative enterprises is necessary.

Existing research

As previously indicated, recent years have seen a revival of interest in studying the historical development of consumer co-operatives. The majority of these studies have, however, focused on the establishment and early development of the movement. They have also tended to focus most attention on the social, cultural and political aspects of the co-op, while their development as economic entities has received less attention.²⁸ Studies of post-war consumer co-operative development are fewer and more dispersed. At the same time, they have been more interested in understanding the overall economic development of the movement. The present sub-chapter intends to summarise and briefly evaluate the main insights from these studies. It focuses on the different types of explanations that have been introduced in the literature and evaluates their possible contribution to our understanding of the divergent post-war development of consumer co-operative enterprises.

²⁸ For a few examples of the first, see especially P. Alex, *Den rationella konsumenten. KF som folkenpfostrare, 1899-1939* (Stockholm/Stehag: Brutus Östlings Bokförlag, 1994); P. Gurney, *Co-operative culture and the politics of consumption in England, 1870-1930* (Manchester: Manchester University Press, 1996); P. Gurney, 'Labour's great arch: Cooperation and cultural revolution in Britain, 1795-1923', in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999); E. Furlough, 'French consumer cooperation, 1885-1930: From the "third pillar" of socialism to a "movement for all consumers"', in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999); N. F. Christiansen, 'Between farmers and workers: Consumer cooperation in Denmark, 1850-1940', in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999); P. Alex, 'Swedish consumer cooperation as an educational endeavour' in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999). Hilson, 'Consumers and Politics: The Co-operative Movement in Plymouth, 1890-1920', *Labour History Review* 67:1 (2002), 7-27 and K. Friberg, *The workings of co-operation. A comparative study of consumer co-operative organisations in Britain and Sweden 1860 to 1970* (Växjö: Växjö University Press, 2005). For a few examples of the latter, see M. Purvis, 'Co-operative retailing in Britain', in J. Benson and G. Shaw (eds), *The Evolution of Retail Systems c. 1800-1914* (London: Leicester University Press, 1992), M. Purvis, 'Societies of consumers and consumer societies: co-operation, consumption and politics in Britain and continental Europe c. 1850-1920', *Journal of Historical Geography*, 24:2 (1998); 147-69; M. Purvis, 'Stocking the store: Co-operative retailers in North-East England and systems of wholesale supply, circa 1860-77', in N. Aleksander and G. Akerhurst, *The emergence of modern retailing, 1750-1950* (London: Frank Cass, 1999) and E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerorganisasjonens historie i Norge* (Oslo: Pax, 2006).

Competition

Throughout the post-war period the food retailing industry in which the co-ops mainly operated was undergoing a fundamental transformation. From being largely a small-scale industry dominated by independent shopkeepers operating one or a few stores, retailing became a large-scale and highly competitive industry controlled almost totally by large, multiple retailers.²⁹ The most commonly held assumption concerning the development of consumer co-operative enterprises in the post-war period is that the co-ops on a general basis were unsuited to tackle these developments. Within this framework, consumer co-operative decline is thus viewed primarily as a result of the co-op's inability to handle strengthened competition. Consumer co-operative success, on the other hand, is related to the existence of less competitive markets. Hence co-operative researchers Johan Brazda and Robert Schediwy contend that 'those co-operatives that stay successful for decades seem to thrive in markets with imperfect competition and high mark-ups [...] Economic spheres with very high levels of competition seem, on the other hand, more testing for co-operatives. This has been the case for normal retailing since about 1970.'³⁰ Similar views have been expressed by the Italian economic historian Patrizia Battilani, who argues that 'consumer co-operation has become the market leader in precisely those countries where the transformations of the distribution system took place more slowly' – i.e. where competition was weaker.³¹

The empirical evidence to support these statements is indeed quite convincing. Battilani's empirical point of reference is the consumer co-ops of Italy and Spain. In both these countries, 'the transformations of the distribution system took place more slowly' and consumer co-ops have managed to retain a substantial proportion of the food retail market. And while Battilani clearly recognises that the expansion of the Italian consumer co-ops during the last quarter of the twentieth century was closely related to their ability to reform and modernise their store structure, rationalise their organisational structure and redefine their co-operative image, the underlying argument is still that the weak competitive climate, characteristic of the Italian retail market, was decisive in helping the consumer co-ops thrive.

²⁹ A short overview is provided by R. Bell, 'Food retailing in the United Kingdom', *European Retail Digest*, 28 (2000), 22-8. Throughout the thesis I use the term 'multiple retailer', 'multiples', 'multiple chain', 'chain store' interchangeably. See the introduction to part two in the present thesis for a short description of the main organisational characteristics of these retailers.

³⁰ J. Brazda and R. Schediwy, 'Preconditions for successful co-operative ventures in the light of historical evidence', *Review of International Co-operation*, 94:1 (2001), 39.

³¹ P. Battilani, 'How to Beat Competition without Loosing Co-operative Identity: the Case of Italian Consumer Co-operatives', in ACTA of the International Congress, *Consumerism versus Capitalism? Co-operatives seen from an International Comparative Perspective*. Gent: Amsab Institute of Social History, (2005), p. 112.

The argument finds further support when looking at the development of consumer co-operatives in countries such as the Netherlands, France, and Germany. In all these countries, large integrated food chains developed fast and forcefully already from the late 1940s onwards. Competition in retailing was thus intense throughout the post-war period and in all countries the consumer co-ops slowly but surely declined.³² On the grounds of these general observations, there seems to be substantial merit in explanations which point to the level of competition and specifically the strengths and achievements of multiple food retailers, being a main force in shaping the destiny of consumer co-operatives in post-war Western Europe.

A principal objection to this kind of reasoning is, however, that it tends to infer the causes for one macro observation (survival or collapse of consumer co-operation) more or less directly from the existence or non-existence of another macro observation (competitive climate), without identifying the mechanisms that may have created such a connection. While the assertion that increased competition caused the decline of consumer co-operative enterprises probably has substantial merit, it needs to be specified exactly how and why this happened. This is of some importance when we know that a competitive retail environment has not always caused decline among consumer co-ops. There simply is empirical evidence pointing in another direction. In a country such as Sweden for example, where competition from multiple retailers was fierce already from the immediate post-war years, the co-op movement managed to prosper. And despite some difficult years in the 1980s and 1990s, Swedish co-ops still control a substantial share of the Swedish food retailing market.³³ Another case in point is the development in Switzerland. The Swiss consumer co-operative movement also prospered during the post-war period, despite fierce competition, most notably from the consumer owned Migros group.³⁴ These comparative findings indicate that there can be no simple connection between the level of competition in a country's food retail market and the survival of consumer co-operative enterprises. Rather, the relationship between the two needs to be investigated in detail, focusing specifically on how competition has in fact been perceived and approached by consumer co-operative organisations in different countries. How did the rise of the multiple retailer challenge the competitiveness of

³² See J. Reintjes, 'The consumer co-operatives in the Netherlands', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989); R. Schediwy, 'The consumer co-operatives in France', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 2* (Geneva: International Co-operative Alliance, 1989) and J. Brazda, 'The consumer co-operatives in Germany', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989).

³³ See R. Schediwy, 'The consumer co-operatives in Sweden', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989).

³⁴ See J. Brazda and R. Schediwy, 'On search of consumer co-operative excellence – lesson from the past and present in order to master the future', in The Preparatory Committee of the International Co-operative Research Forum, Japan, *What are the viable co-operative models and contributions for the future? Proceedings of the Tokyo Forum 1992* (Tokyo: Japanese Society for Cooperative Studies, 1992).

co-operative retailers, what did the co-ops do to confront these challenges and how did their strategic responses shape their economic development?

Organisational and managerial factors

A second type of explanations move attention away from the competitive climate in which the co-ops operate and focus more on factors internal to the co-operative enterprises. As such, they take explanations focusing on competition one step further by analysing how specific organisational and managerial aspects of the co-operative form of trade shaped the co-ops' competitiveness. These explanations are of three main types. The first focuses on how the federative organisational structure, characteristic of most national consumer co-operative movements, has been both impractical and inefficient in competing with the highly centralised structures of the competing multiple retailers. As noted by Schediwy: 'it seems evident that the federal co-operative organisation is definitely disadvantaged at the national as well as the international level.'³⁵

The main empirical evidence presented to support this claim is the development in many Western European co-ops of dispersed and fragmented organisational structures, unable to exploit the full potential of scale economies and bulk buying. The major empirical example is France, where the collapse of the movement, according to Schediwy, was closely linked to the development of regional and local strongholds unable to co-operate efficiently with the central organisation.³⁶ As local retail societies increased in size, they tended to decrease their loyalty to the national federative organisations. Further problems were created as parallel federative organisations also failed to cooperate efficiently. The end result of such developments was, in the words of Brazda and Schediwy, detrimental 'tensions between parallel organisations on a central level' as well as substantial 'problems of pluricentrism created by large regional mergers'.³⁷

These problems of coordinating the activities of the different parts of the co-operative federation are further related to the inverted structure of the federative model. In consumer co-operative federations it is the co-operative retail societies that are 'the parent companies'. These local/regional enterprises own and control the central organisations (which then become 'the

³⁵ R. Schediwy, 'International co-operation between consumer co-operatives', *Yearbook of Co-operative Enterprises*, (1990), 119

³⁶ R. Schediwy, 'The consumer co-operatives in France', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 2* (Geneva: International Co-operative Alliance, 1989). As we shall see later, similar problems have also hampered the British co-ops.

³⁷ J. Brazda and R. Schediwy, 'Consumer co-operatives on the defensive. A short overview', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 33.

daughter companies'). This inverted form of enterprise is believed to create fundamental problems of coordination. Again in the words of Schediwy:

an organisation that functions top-down with a central headquarters that sees to it that the subsidiaries are all working well ... certainly offers practical advantages over a central organisation that is owned by a multitude of "parent" co-operatives who jealously try and protect their independent sphere of action. Central organisations of this second type nearly always have to struggle with the problem that they are in the end risk-bearers for the whole movement... But they still have very few rights in ensuring the grass-roots level is working properly. All this may be justified in terms of "this is the price that has to be paid for more economic democracy". But in some cases this price is simply too high to be paid.³⁸

Taken together, this type of reasoning has caused researchers to conclude that the federative model practised by most national consumer co-operative movements is simply uncompetitive. Hence, as pointed out by Brazda and Schediwy: 'compared with hierarchical organisations like the giant transnational corporations, the federal model usually adopted by co-operatives seems to be at a serious disadvantage'.³⁹

There can be no doubt that the federative organisational model characteristic of the consumer co-operative enterprise may have caused a variety of problems and affected the development of many consumer co-operative movements negatively. But, the comparative developments of consumer co-ops show that many rather successful national consumer co-operative movements still operate on a federative organisational structure.⁴⁰ It is also evident that many movements that have chosen to abandon the federative model in exchange for a more centralised structure, have experienced severe problems and even collapsed.⁴¹ The actual effect of the federative organisational model on the development of consumer co-ops thus remains unclear. As Norwegian co-operative researcher Tom Johnstad has concluded in a study specifically addressing the federative aspects of co-operation: 'maybe the problem in many of the troubled co-operative systems was not the federative system itself, but the opposite. Maybe the

³⁸ R. Schediwy, 'International co-operation between consumer co-operatives', *Yearbook of Co-operative Enterprises*, (1990), 119.

³⁹ J. Brazda and R. Schediwy, 'Federal co-operative systems – part of the problem or part of its solution?', *The World of Co-operative Enterprise*, (1996), 11-16.

⁴⁰ Most prominently the Norwegian consumer co-operatives, the Finnish S-movement and the Italian co-op movement.

⁴¹ Most notably the Dutch, the German, the Austrian consumer co-operatives and the Finnish E-movement.

viability of the federation in an earlier form had been violated'.⁴² On these grounds, there is still a need to develop 'better knowledge of the federative aspect of co-operatives and other associations ... and of the federation as a form of governance compared to other forms.'⁴³

The second type of internal explanations moves attention away from the organisational structure of the consumer co-ops towards their organisational culture. Typically such explanations focus on the decline seen in many consumer co-ops during the post-war years and relate this decline to deficiencies in the competitive culture of the co-ops. Summing up their large, edited study of the development of consumer co-operative enterprise in nine Western European countries (as well as Japan), Brazda and Schediwy for example, as one of several reasons for co-operative decline, point to how "'a culture of not facing problems" and an art of explaining them away ... has proved very detrimental'.⁴⁴ As consumer co-ops had expanded more or less continuously and accumulated substantial wealth during their heydays of the first half of the twentieth century, many co-ops had strong confidence in their business model and tended, again in the words of Brazda and Schediwy, 'all too easily to "overlook" the first serious losses, to regard them as temporary or to blame outside factors'.⁴⁵ On similar lines, German historian Michael Prinz has shown how a strong, conservative culture among the leading management in the German co-op movement delayed the much needed transfer to self-service, ultimately preparing the process of decline that gradually led the movement into full collapse.⁴⁶

Explanations pointing to the importance of culture in shaping co-operative development are obviously fruitful. But they still remain under-scrutinised. They have also been solely concerned with the declining co-ops and thus failed to discuss the role played by organisational culture in the more successful cases. Along the lines initiated by Prinz, there is therefore a need to understand more closely how cultural factors actually have shaped the day-to-day retail operations of co-operative movements. There is also a need to explore in more detail how different organisational cultures actually developed. Why did some co-ops develop an organisational culture resistant to change while others managed to build a culture more willing to adapt to the transformative trends of the post-war retail environment?

The third type of internal explanations focus on the importance of the co-operative management. On a general basis, this implies that focus is put on how co-operative development

⁴² T. Johnstad, 'Co-operatives and Federations', *Journal of Co-operative Studies*, 89 (1997), 56.

⁴³ *Ibid.*, 57.

⁴⁴ J. Brazda and R. Schediwy, 'Consumer co-operatives on the defensive. A short overview', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 33.

⁴⁵ *Ibid.*

⁴⁶ M. Prinz, 'Consumer Co-operatives' history with politics left in?: The German case', *Paper presented at the XIV International Economic History Congress, Helsinki, 21.-25. August 2006*.

may be related to the role played by the leading managers, often those situated at the central headquarters of the national federative organisations. Most often, such explanations have been used to understand decline. Schediwy's analysis of the decline and subsequent collapse of the Austrian consumer co-operatives is indicative.⁴⁷ After a massive policy of expansion in the early 1970s, the Austrian consumer co-operative movement came under acute financial pressure by the end of the decade. The solution chosen was a total merger of all the co-operative retail societies into one large co-operative – Konsum Austria.⁴⁸ The merger allowed for a new start. And, indeed, as Schediwy points out, 'had the big rescue operation ... been followed by energetic attempts at modernizing, streamlining and cost-cutting ... it might have been successful.' However, this is not what happened. Rather, the organisation failed to meet the increasing competition of the 1980s with the necessary measures; deficits were hidden behind a complex system of sale and lease back arrangements and, according to the analysis of Schediwy, both the general manager and the chairman of the board remained oblivious to the warning signals. Thus, the subsequent crisis was largely caused by a 'management of ignorance'. When the two leading figures retired in 1990, the problems were so acute that a scandal was inevitable. By 1995 Konsum Austria collapsed in what came to be the largest bankruptcy in Austria since the Second World War. And as Schediwy's analysis concludes, 'the true candidates for a personification of Konsum's decay appear to be the two top men.'⁴⁹

A somewhat similar analysis is provided by Johann Brazda in his account of the collapse of the German consumer co-operative movement.⁵⁰ After years of struggling to sustain its market share and secure a stable profit, by 1981 a majority of German retail societies had been merged into one single enterprise, the Coop Zentrale AG, a limited liability company.⁵¹ The developments in the first half of the 1980s looked promising. But, by 1989 the whole structure collapsed. By then, the Coop AG had expanded to become the second biggest trading group in West Germany. The expansion had, however, been based on fraudulent behaviour on the part of the management. By 1986 the top leadership of the company had managed to buy up the majority of the shares via letterbox companies and the company was in practice owned by itself. Brazda's broad analysis shows how the ultimate decline of the German consumer movement was the result of several interdependent causes. Still, the final collapse is largely related to the problem

⁴⁷ See R. Schediwy, 'The Decline and Fall of Konsum Austria', *Review of International Co-operation*, 89:2 (1996), 62-8.

⁴⁸ Only one small rural co-operative society refused to participate in the merger, see *Ibid.*

⁴⁹ *Ibid.*, 64.

⁵⁰ J. Brazda, 'The consumer co-operatives in Germany', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989).

⁵¹ The process of transforming the co-operatives into a single limited liability company had started already in 1974 with the establishment of Coop Zentrale AG, see *Ibid.*, p. 204.

of mismanagement. As he concludes, the movement was in the end ‘ruined by managers who cared much less about the well being of their company and its employees than about their own fortunes.’⁵²

Both these examples show how co-operative managers have played pivotal roles in shaping the decline of their national consumer co-operative organisations. The existing literature offers, however, few, if any examples of the role of managers in creating post-war success in consumer co-operative enterprises. Indeed, Brazda and Schediwy have later argued how “the most successful “mature” co-operatives ... are the ones [...] managed in a “benevolent authoritarian way” by charismatic leaders acting as “social entrepreneurs””.⁵³ But their examples are typically co-operative leaders of the inter-war period, such as the Swedish Albin Johanson and Austrian Otto Sagmeister. The two researchers also note how one of the most important challenges of such “mature” co-operatives, ‘seems to be the continuation of an effective and yet co-operatively minded management’. But they do not offer any examples of co-ops that have actually managed to confront this challenge and developed positively.⁵⁴ The role played by co-operative managers in shaping the post-war development of successful consumer co-operatives thus needs to be investigated more closely.

The role of politics

A third type of explanations are those focusing on the role of politics in explaining the development of consumer co-operatives. These are of two main types. On the one hand there are those who relate decline in consumer co-operative retailing to the existence of adverse regulatory practises or outright political hostilities. The immediate post-war problems of the German and Austrian movement are the typical examples. Both the German and the Austrian movements were dissolved by the Nazi-government during the Second World War and the many difficulties created by this development are seen to have hampered the progress of these two movements throughout the post-war period.⁵⁵ From the early 1950s onwards the German movement was

⁵² *Ibid.*, p. 214.

⁵³ J. Brazda and R. Schediwy, ‘Preconditions for successful co-operative ventures in the light of historical evidence’, *Review of International Co-operation*, 94:1 (2001), 39.

⁵⁴ *Ibid.*

⁵⁵ J. Brazda, ‘The consumer co-operatives in Germany’, in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989) and B. Fairbairn, ‘The rise and fall of consumer cooperation in Germany’, in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999). For Austria see R. Blach, ‘The consumer co-operatives in Austria’, in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 2* (Geneva: International Co-operative Alliance, 1989) and G. Hauch, ‘From self-help to Konzern: consumer co-operatives in Austria’, in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism?*

also hampered by substantial regulatory difficulties as it suffered from legal restraints on the payment of dividends. The subsequent result of these regulations was a steep decline in equity capital, ultimately damaging the movement's growth potential.⁵⁶

A somewhat similar argument has been presented by British retail management academics Alan Hallsworth and James Bell in their recent examination of the UK co-operative movement.⁵⁷ Analysing the post-war decline of the co-op movement in Great Britain, the authors examine, among other things, the role of market regulation and especially the abolition of Resale Price Maintenance (RPM) in 1964. RPM was a regulatory device providing manufacturers with the exclusive right to integrate a recommended price onto the branded packaging. When RPM was abolished, the ability of the retailers to offer large discounts by exploiting the possibilities of bulk purchasing and bulk sales increased dramatically. According to Hallsworth and Bell this proved devastating for the co-ops as 'their one big advantage had been that they could sell products locally at the same (fixed) price as any rival ... and yet offer a "dividend". ...Once this advantage was dispensed with under RPM, a key plank of their policy was removed.'⁵⁸

But, political factors have not only been propounded as an explanation for co-operative decline. The second main type of political explanations concerns how the post-war progress of consumer co-operative enterprises may be related to the existence of a favourable political environment providing the co-op with regulatory advantages. This type of reasoning is most forcefully advocated by economic theory and specifically by proponents of the economic theory of the firm.⁵⁹ These researchers have had a hard time explaining why consumer co-operatives still exist in many competitive markets. According to the principle theoretical arguments, retail firms established on the basis of customer ownership will necessarily be less efficient and less well governed than traditional investor-oriented forms. This is because customer ownership creates large transaction costs as well as substantial principal/agency problems, ultimately leading to bad corporate governance.⁶⁰ The decline seen among many consumer co-operatives during the post-

Consumer Cooperation in Europe, North America and Japan, 1840-1990 (Lanham: Rowman and Littlefield Publishers Inc, 1999).

⁵⁶ J. Brazda, 'The consumer co-operatives in Germany', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989).

⁵⁷ A. Hallsworth and J. Bell, 'Retail change and the United Kingdom Co-operative Movement – new opportunity beckoning?', *International Review of Retail, Distribution and Consumer Research*, 13.3 (2003), 307-8.

⁵⁸ *Ibid.*

⁵⁹ For a short overview, see O. Hart 'An Economist's Perspective on the Theory of the Firm,' *Columbia Law Review*, 89:7 (1989), 1757-74.

⁶⁰ A summary of the critique is provided by J. Nilsson, 'Organisational principles for co-operative firms', *Scandinavian Journal of Management* 17 (2001). For a more thorough outline of the main arguments in relation to transactions costs, principal agency and consumer co-operative development, see H. Hansmann, 'The Ownership of Enterprise', *Journal of Law, Economics and Organization*, 4:2 (1988), 267-304. See also H. Hansmann, *The Ownership of Enterprise* (Cambridge: Harvard University Press, 1996).

war period fits well with this theoretical reasoning. The successful cases are, however, much more difficult to account for as they run counter to the fundamental logic of the theory. The typical answer from the economists in such instances is that consumer co-operative enterprises that continue to survive in competitive markets have to enjoy some form of public support in the form of subsidised interest rates, lower taxes, etc. A recent OECD-analysis of regulation and performance in the European retail sector provides a revealing example of such reasoning. Here it is argued that the continued strength of the Italian consumer co-operative movement is directly linked to the persistence of numerous regulatory advantages. The Italian regulatory system has favoured co-operative arrangements and this explains why Italian co-operative chains have gained such significant market share relative to the private, multiple retailers. The end result of this situation has been, as stated by the report, that 'the most efficient store formats have not been able to expand.'⁶¹

Explanations pointing to political and regulatory factors in explaining the post-war development of consumer co-ops also offer interesting and important viewpoints. The role of the political environment should be recognised in all studies of post-war consumer co-operative development. But existing accounts fail to convince in their analysis of how the political milieu actually shape consumer co-operative strategic choices and subsequently their development. This goes both for the studies pointing to political hostilities as a reason for co-operative decline and those focusing on public support as a reason for consumer co-operative progress. Specifically, there is a need to investigate in more detail the actual interplay between the co-operative organisations in question and how they actually dealt with the regulatory and political regime they were confronting. How have political attitudes shaped the day-to-day strategic focus of the consumer co-operative enterprises and how has this focus in turn shaped the economic development of these enterprises?

Ideological factors

A fourth set of explanations point more directly to how success and decline in consumer co-operative organisations may be related to how these organisations have managed to adapt their broader ideological foundation to the competitive, societal and cultural developments of the post-war period. Again, different sub-types of explanations may be detected. A first type is represented by Brazda and Schediwy when they highlight, again as one among several explanations, how the increasing failure among post-war consumer co-ops to offer the traditional

⁶¹ D. Pilat, *Regulation and performance in the distribution sector* (Paris: OECD, 1997).

dividend on purchase may have had detrimental effects on their development. As they note, the increasing competitive pressures of the post-war period caused ‘a downward pressure on margins ... [that] made it difficult to earn the traditional dividend’.⁶² This in turn may have caused members to recall their shares, subsequently leading to substantial capital loss for the co-operative societies. While this may seem a reasonable suggestion for some of the problems experienced by post-war consumer co-operative enterprises, the explanation is, however, not further examined. Hence, the role of the traditional dividend in the development of consumer co-operative enterprises remains a hypothesis in need of further empirical exploration.

Perhaps the most prominent example of ideologically oriented explanations is to be found in a more recent analysis edited by the two historians Ellen Furlough and Carl Strikwerda, published under the title *Consumers against capitalism?*.⁶³ In this study, the main focus of attention explicitly rejects the role of economic factors and organisational weaknesses. Evaluating the decline seen among many consumer co-ops during the post-war years the editors explicitly argue that this development was not primarily caused by ‘the movement’s economic weakness, but by its obligation to confront the consumerist revolution’.⁶⁴ Hence, rather than focusing on internal economic and organisational weaknesses or the role of strengthened competition, the study concentrates more on how transformations in the cultural and social climate in which the co-op operated put into question the overall legitimacy of the co-operatives as alternative forms of economic organisations and how this development in turn caused the decline of the large majority of the co-op movement. As an example, it is argued that a major reason for the decline was the co-op movement’s inability to adapt to the ‘shift away from food as the primary item of expenditure’.⁶⁵ More broadly, they contend that the rise of the affluent, individualist consumer – mainly oriented towards consumption in terms of pleasure and desire – did not fit with the culture of consumption the co-operatives traditionally had advocated. And as long as the co-ops failed to redirect their operations and reformulate their mission to account for these societal and cultural transformations, decline was more or less inevitable.

The reasoning advocated by Furlough and Strikwerda offers many interesting suggestions. But, a major problem is that it largely fails to present convincing empirical evidence on how the

⁶² J. Brazda and R. Schediwy, ‘Consumer co-operatives on the defensive. A short overview’, in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 34.

⁶³ E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999).

⁶⁴ E. Furlough and C. Strikwerda, ‘Economics, Consumer Culture and Gender: An Introduction to the Politics of Consumer Cooperation’, in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999), p. 33.

⁶⁵ *Ibid.*, p. 34.

co-operatives actually perceived and acted upon the cultural and social transformations taking place. As a consequence, the question of both whether and how these transformations more precisely affected the consumer co-operative movements' developments remains largely unspecified. The analysis presented by Furlough and Strikwerda is in fact not based on any thorough historical analysis of the post-war development of an individual consumer co-operative organisation. In the introduction, the editors repeatedly refer to the different case studies presented in the book, but none of these offer a substantial analysis of post-war developments.⁶⁶ Thus, even if this important historical work provides us with some possible explanatory mechanisms for understanding consumer co-operative development in post-war Europe, it is largely insufficient as a historical theory. For that purpose, it simply fails to provide convincing empirical backing for the conclusions drawn.⁶⁷ An alternative analysis along the lines suggested by Furlough and Strikwerda would thus need to better specify the concrete links between the social and cultural transformations taking place and the actual development pattern of the co-op in question.

A third type of ideologically oriented explanations are those focusing on the role of democratic participation in explaining consumer co-operative development. The typical argument expounded among these studies is that the ability of the co-ops to uphold a viable and well-functioning member democracy forms a vital element in the overall development of these enterprises. An emblematic example can be found in the broad study on participatory democracy

⁶⁶ Of the eleven case studies presented, only three actually analyse developments in Western European co-ops all the way up to the 1980s. However, these also focus primarily on pre-war developments. In Carl Strikwerda's analysis of the Belgian case only two and a half of a total nineteen pages are devoted to post-war developments. Similar ratios for Gabriella Hauch on Austria are two to twenty-three and for Brett Fairbairn on Germany three to thirty-one, see E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999).

⁶⁷ It should also be noted here that the introductory chapter by Furlough and Strikwerda is hampered by several other problematic shortcomings. While initially having a clear focus on societal and cultural factors in explaining co-operative development, later the authors do not seem to agree with themselves about what actually were the most important explanations. At one point the authors argue that 'cooperation did not suffer necessarily from failures to exploit economies of scale'. Five pages later, however, they conclude that 'during the twentieth century ... cooperation ... failed to integrate vertically to create real economies of scale' (E. Furlough and C. Strikwerda, 'Economics, Consumer Culture and Gender: An Introduction to the Politics of Consumer Cooperation', in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999), p. 30/p. 35). One is thus left in confusion about whether organisational integration and the ability to realise scale economies should be regarded as a problem for consumer co-operatives or not. A similar confusion has been pointed out by historian Gerd-Rainer Horn in a review of the book. It concerns to what extent the co-operatives managed to adapt to changing tastes and cultures of consumption, whether such adaptation was a necessary means to survive or whether adaptation in fact caused further decline. In the introductory chapter it is argued that lack of adaptation caused decline. In the chapter on France, however, successful adaptation is said to have caused decline, as it meant that the co-operators had to abandon the traditional goals of creating a collective and social ideology. Again, one is left in confusion as to what explanatory status the process of adoption to changing tastes actually has, see G-R Horn, *Review of Ellen Furlough and Carl Strikwerda (eds.), Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990. Lanham: 1999* (Economic History Service (EH.NET), 1999).

in co-operative enterprises conducted by the so-called 'international joint project on co-operative democracy' and presented at the centennial congress of the International Co-operative Alliance (ICA) in Manchester in 1995.⁶⁸ This study forcefully argues that the most important factor in explaining failure among co-operative organisations in the post-war period is the lack of ability to stimulate democratic participation. In the plain words of the authors: 'the decline of consumers' co-operatives in many places is a result of the failure of leaders to stimulate sufficient participation in both the business enterprise and the voluntary association side of the movement.'⁶⁹

Again, however, while being an interesting hypothesis, it largely lacks thorough empirical backing. Indeed, existing historical evidence seems to suggest that democratic involvement has not been a vital precondition for the economic development of consumer co-operatives. As Brazda and Schediwy have argued in an article intended to summarise existing empirical knowledge on consumer co-operative development: 'the necessity of a well functioning member democracy ... should not be exaggerated. ... co-operatives in trouble are not usually saved from economic perdition by member democracy, but by a new, energetic leadership in whom the members can put renewed trust.'⁷⁰ For sure, these objections do not make the explanatory model itself uninteresting. What is needed, however, is a comprehensive historical investigation of how different consumer co-operative organisations actually have approached their members and to what extent the strategies employed have worked to recruit new and loyal members. Subsequently, to what extent such recruitment affected the actual development of the co-ops as economic entities also needs to be analysed.

Adaptation

A final set of explanations that need to be analysed are those focusing explicitly on how the consumer co-operative movement has managed to adapt its retail operations to ongoing changes in the competitive and societal environment. Three specific studies are worth mentioning.

The first is the earlier cited work by Hallsworth and Bell.⁷¹ Studying the recent development of British consumer co-ops and specifically the decision made by the co-ops in the

⁶⁸ The project was set up as a combined group of both co-operative scholars and representatives from the co-operative organisations themselves, see The International Joint Project on Co-operative Democracy, *Making membership Meaningful. Participatory Democracy in co-operatives* (Saskatchewan: Centre for the Study of Co-operatives, University of Saskatchewan, 1995).

⁶⁹ *Ibid.*, p. 3.

⁷⁰ J. Brazda and R. Schediwy, 'Preconditions for successful co-operative ventures in the light of historical evidence', *Review of International Co-operation*, 94:1 (2001), 35-42.

⁷¹ A. Hallsworth and J. Bell, 'Retail change and the United Kingdom Co-operative Movement – new opportunity beckoning?', *International Review of Retail, Distribution and Consumer Research*, 13.3 (2003), 301-15.

late 1990s to retreat from large-scale retailing and focus on convenience retailing, the authors' attempt to show how a combination of internal organisational factors, and a rapidly changing external trading environment, have often combined to disadvantage the retailing prospects of the UK Co-operative Movement.⁷² They further point to a diverse set of what they term 'power sources, or 'power factors' to explain 'why some retail chains grow while others decline'.⁷³ These factors are 'technology, market regulation, changing production and distribution systems, unionisation and access to capital'.⁷⁴ The authors argue that compared to the multiples, co-ops have been at a disadvantage in relation to all these factors. The co-ops were simply unable to take advantage of the same 'sources of power' as their main competitors. This is seen to have been a vital impediment to the co-op's market competitiveness and 'eventually led to it having to retreat from the successful superstore format so favoured by its rivals'.⁷⁵

In their attempt to analyse the recent development of British consumer co-ops, Hallsworth and Bell rely on an important analytical principle, namely the need to relate consumer co-operative development to ongoing transformations and trends in the retail environment in which the co-ops actually operate. But their subsequent analysis remains quite confused, the different power factors discussed seem quite randomly chosen and it is not easy to pinpoint exactly why these factors are regarded as the most important.

Much more promising, then, is the work of retail analyst Leigh Sparks, also studying the recent development of the British consumer co-operatives. To illustrate the major problem of co-operative retailing at the turn of the millennium Sparks focuses explicitly on three distinct transformations within the retailing environment. These are 'the development of new formats, the development of the corporate brand and the importance of logistics'.⁷⁶ Sparks show how the co-ops have been unable to measure up against the multiple retailers in adopting these three strategic components and that this is illustrative of the major problems experienced by British co-operative retailers.⁷⁷ He thus also offers a simple and straightforward analytical scheme from which one may detect some of the reasons behind co-operative decline in the last quarter of the twentieth century: inability to develop new and competitive retail stores, inability to develop a

⁷² *Ibid.*, 301.

⁷³ *Ibid.*, 305.

⁷⁴ *Ibid.* Hence, the regulatory dimension earlier discussed is only one out of several explanatory components.

⁷⁵ *Ibid.*, 301.

⁷⁶ L. Sparks, 'Being the best? Co-operative retailing and corporate competitors', *Journal of Co-operative Studies*, 104 (2002), 14.

⁷⁷ We turn to these different elements in more detail in the subsequent analysis, see especially chapter five, eight and ten in the present thesis.

coherent and attractive co-operative image/brand and inability to develop efficient systems of distribution/logistic.⁷⁸

A similar framework has been adopted by Battilani in her earlier cited outline of the development of the Italian consumer co-operatives during the second half of the twentieth century.⁷⁹ In addition to the weak competition characteristic of the Italian retail sector, Battilani shows how the *progress* of the Italian consumer co-ops during the post-war era was linked to three basic factors, namely 'technological innovation, the creation of a system of firms and the definition of new consumer co-operation ideals and significance'.⁸⁰ Basically, these are the same factors as outlined by Sparks. They focus on the development of retailing stores (technology), the development of an efficient system of distribution (logistics/system of firms) and the ability to develop a coherent and attractive corporate image as vital ingredients in shaping the post-war development of food retailers. There thus seems to be some form of common understanding between the two about what constituted the major success factors in post-war food retailing. The difference is only that while in Britain these success criteria were held by the multiples, in Italy they were held by the co-ops.

The major advantage of these explanations, as opposed to the other main types presented, is that they explicitly explore the link between the co-op and their societal and competitive environment. They detect the major success formulae within the retailing industry and explore to what extent the co-ops managed to measure up to this formulae. Hence, they are genuine attempts to treat the co-ops as economic entities and to explore how their history has been shaped by economic processes. Still, while these studies form an important point of reference for the subsequent analysis, there is a large untapped potential to widen the scope of their analyses. This may be done both by increasing the time span covered and by developing systematic comparisons including two or more cases of co-operative development.

⁷⁸ The question obviously remains why the co-ops failed to adopt these basic business strategies. In an earlier work Sparks has discussed at length the reasons why British co-operatives lagged behind so dramatically during the post-war period (L. Sparks, 'Consumer co-operation in the United Kingdom 1945-1993: Review – and prospects', *Journal of Co-operative Studies*, 79 (1994), 1-64). But again, while the outline of the major business changes affecting the co-ops as well as the immediate reactions taken by the co-ops towards this development is emblematic, his discussion on the reasons for decline is much more difficult to decipher. His general outline of the development of the British co-ops during the post-war period development does, however, form an important secondary source in the subsequent empirical analysis.

⁷⁹ P. Battilani, 'How to beat competition without losing co-operative identity: the case of Italian consumer co-operatives', in ACTA of the International Congress, *Consumerism versus capitalism? Co-operatives seen from an international comparative perspective* (Gent: AMSAB, 2005).

⁸⁰ *Ibid.*, p. 109.

Existing research evaluated

From the complexity of the above presentations one is led to believe that there exists fairly well developed knowledge on the development of consumer co-operative enterprises in post-war Europe. And indeed, all the explanatory components presented offer valuable insights. Some of them also inform the present study. As we have seen, most of the existing explanations are, however, hampered by significant problems. The first of these problems concern the surprising lack of dialogue between students of co-operative development and general studies of retailing. Apart from the few studies just cited, most existing accounts have failed to properly analyse the concrete interplay between co-operative development and the competitive and societal climate in which the co-operative organisations operated. There is therefore still a need to increase our knowledge of how developments within the retailing industry during the post-war years actually affected the retail operations of the co-ops.

A second shortcoming is related to how existing accounts have tended to focus exclusively on cases of decline and failed to exploit the full potential of comparative methodology. There indeed exists some comparative approaches, but these tend to take the form of ‘anthology comparisons’, where single case studies are presented in subsequent chapters and where the anthology’s editors present an introductory summary of the articles that contain some comparative reflections.⁸¹ These studies surely provide valuable insights, but they are not ‘comparative in the strict sense’.⁸² The comparative approaches that do exist have also tended to analyse similarities between failing societies and the overall goal has been to find the common causal factors for collapse.⁸³ The successful cases have, on the other hand, largely been ignored and the potential of comparing cases with different outcomes has not yet been scrutinised.

Finally, several of the existing explanations have failed to present robust and convincing historical data capable of supporting the claims they make. Most accounts certainly have some support from historical sources, but many of the explanations offered remain superficial as the concrete mechanisms connecting the phenomena to be explained and the suggested explanation are not convincingly specified. Theories pointing to changes in the culture of consumption for

⁸¹ K. Friberg, *The workings of co-operation. A comparative study of consumer co-operative organisations in Britain and Sweden 1860 to 1970* (Växjö: Växjö University Press, 2005), p. 18. Prominent examples of such an approach include J. Brazda and R. Schediwý (eds), *Consumer co-operatives in a changing world, vol. 1 and 2* (Geneva: ICA, 1989) and E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999).

⁸² S. Neusinger, cited in K. Friberg, *The workings of co-operation. A comparative study of consumer co-operative organisations in Britain and Sweden 1860 to 1970* (Växjö: Växjö University Press, 2005), p. 18.

⁸³ For a short evaluation see M. Prinz, ‘Structure and Scope of Consumer Co-operation in the 20th Century Germany in the English Mirror’, in ACTA of the International Congress, *Consumerism versus capitalism? Co-operatives seen from an international comparative perspective* (Gent: AMSAB, 2005).

example, largely remain at the macro level and have had quite a few problems with specifying how the co-operatives actually perceived and acted upon the cultural and social transformations taking place. There is simply a need to conduct more basic empirical work if we are to understand the post-war development of consumer co-operative enterprises.

Analytical approach

The present study will draw important lessons from existing research. However, it also seeks to expand on these accounts and if necessary, to develop alternative interpretations. To achieve this end the analysis is grounded in an analytical approach focusing in full on the concrete interplay between the consumer co-operative organisations in question and the transformations in the competitive and societal environments in which these enterprises operated. It further employs a comparative methodological approach, systematically analysing the development of two consumer co-operative movements showing divergent development paths. Finally, the analysis as a whole will be based on thorough archival studies as well as secondary literature, providing for robust empirical backing of the conclusions drawn. The remaining part of this sub-chapter outlines in more detail the analytical approach. The methodological approach and the empirical sources on which the study is based are presented and discussed in the following sub-chapters.

The analytical approach of the study is based on two fundamental premises. First, that consumer co-operative enterprises are primarily retailing organisations and that their survival and growth is intimately linked to how they approach the major challenges of the retailing market. Any study seeking to understand why so many consumer co-operatives disappeared during the post-war years while others managed to prosper should therefore direct its main attention towards how the co-ops developed their retailing business. While the political, social and cultural history of consumer co-operation is an interesting field of study, it is the economic history of consumer co-operation that has to be studied to understand its actual survival.

The second premise proposes that in order to develop a satisfactory economic history of consumer co-ops, the main focus of attention has to be directed towards the interplay between the internal dynamics of the consumer co-operatives in question and their competitive and societal environment. The co-operative organisations simply have to be studied in close relation to the environment in which they operate; or to cite the American sociologist Richard Scott, make sure that ‘the interdependence of the organization and its environment receives primary

attention.⁸⁴ In investigating the divergent developments of the Norwegian and British consumer co-ops, the present study will thus give full attention to how these two organisations approached the major competitive and societal transformations of the post-war retailing industry. It will analyse how the two organisations developed their retailing businesses in confronting these challenges and discuss how differences in approach shaped their economic developments.

What then were the main societal and competitive transformations facing the post-war consumer co-ops? As already indicated, the food retailing industry – where the consumer co-ops have had their core area of business – underwent drastic transformations in the post-war era.⁸⁵ Two of the most dramatic changes were, in the words of retail analyst Paul Dobson, ‘the emergence of new, large store formats and the increased prevalence of large retail chains.’⁸⁶ The industry has been transformed both operationally and organisationally; from a structure dominated by small counter-serviced shops, owned individually by independent shopkeepers, to a structure where self-serviced supermarkets and hypermarkets owned by a few large, integrated businesses control the majority of the market. These transformations fundamentally challenged the market position of co-operative retailing.

Additional challenges were presented by a third major transformative process. Throughout the post-war period increased competition, alongside parallel societal transformations, came to challenge fundamental premises of the co-op as an alternative form of business organisation. The actual economic advantages offered by co-operative membership were questioned, the democratic decision-making structure was losing popular support and the legitimacy of the co-op as the main proponent of consumer interest was increasingly challenged. In order to survive in the new competitive and societal environment of the post-war period the co-op movements thus not only had to deal with ‘the emergence of new, large store formats and the increased prevalence of large retail chains’, they also had to formulate a new ideological mission for their activities, able to attract the support of late twentieth century affluent consumers. They simply had to develop a more attractive co-operative image.

The present analysis will take as its starting point these three major transformative processes. Inspired by the analytical schemes offered by Sparks and Battilani, it seeks to analyse how the co-operatives developed their retailing operations in the wake of the self-service and supermarket revolution.⁸⁷ It will further examine how they adapted their organisational structures

⁸⁴ R. W. Scott, *Organizations. Rational, Natural and Open Systems*, New Jersey 1998 (4th ed).

⁸⁵ For an overview see R. Bell, ‘Food retailing in the United Kingdom’, *European Retail Digest*, 28 (2000), 22-28.

⁸⁶ P. W. Dobson, ‘Competition and collaboration in European grocery retailing’, *European Retail Digest*, 39 (2003), 13.

⁸⁷ As outlined above, see L. Sparks, ‘Being the best? Co-operative retailing and corporate competitors’, *Journal of Co-operative Studies*, 104 (2002), 7-26 and P. Battilani, ‘How to beat competition without losing co-operative identity: the

to tackle the superior organisational efficiencies of the multiple retailers. Finally, it explores how the co-ops sought to adapt their ideological profile to be more in line with the competitive and societal climate of the late twentieth century.

The analysis will be organised in three separate sections, namely 'retail outlets', 'organisational structure' and 'ideology'. Each section explores how the Norwegian and British consumer co-operatives approached the challenges they were facing and how differences in approach shaped the two movements' economic developments. The analysis will specifically focus on how the co-operators perceived their situation, how these perceptions changed throughout the time period covered, what strategies they chose to meet the challenges they were facing and what the consequences were in terms of market development, profitability and membership. By employing such an analytical approach the study intends to show how the divergent development of the British and Norwegian consumer co-ops was fundamentally shaped, not by some intrinsic feature of the organisational structure itself, nor by a static adaptation to outer pressures, but by the dynamic interplay between organisational choice and environmental changes.

Methodological approach

Having specified the analytical approach of the study, a more thorough presentation and discussion of the methodological approach is necessary. As repeatedly indicated, the methodological approach of the study is comparative. Hence, the study does not only intend to explore how the British and Norwegian consumer co-operatives approached the major challenges of the post-war retail business. It also systematically compares differences and similarities in approach. By way of such an analysis it is believed that new and improved insights can be gained concerning the factors shaping the two movements' divergent developments.

The strategy of using comparisons as a method to develop knowledge about historical processes has a somewhat undecided position within historical research. On the one hand, the legacy of the historicist tradition still prevails among many historians. They generally argue that comparisons, due to the genuine singularity of historical processes, are of limited value. As the German historian Jürgen Kocka has stated: 'dem Historismus blieb das systematische Vergleichen

case of Italian consumer co-operatives', in ACTA of the International Congress, *Consumerism versus capitalism? Co-operatives seen from an international comparative perspective* (Gent: AMSAB, 2005).

fremd.⁸⁸ On the other hand, comparative approaches have long been a popular tool within historical research. As Kocka argues, despite the scepticism from historicists, comparisons in historical research have been proven to serve several important purposes.⁸⁹ Comparisons may work as a heuristic means to identify problems and interpretations that would possibly not have been seen without the use of comparative glasses. Comparisons also serve the purpose of more clearly identifying the specificity of an individual case. They provide researchers with a tool to better detect factual relationships, may help prevent the use of assumptions taken for granted and serve to open up the analysis to alternative hypotheses. In the words of Kocka, comparative history may simply ‘render historical science theoretically more stringent and analytically more powerful and at the same time ... increase its scale and relevance’.⁹⁰

Despite the increasing acceptance of comparison as a valuable tool in historical research, systematic attempts at spelling out the specific methodological challenges and preferred lines of action when conducting comparisons in history are still fairly limited.⁹¹ At the most general level, inspiration has been drawn from works within the social sciences.⁹² The standard reference has been John Stuart Mill and the distinction between two different comparative designs: the method of difference and the method of agreement.⁹³ The logic of the former is to compare cases (i.e. nations, organisations etc) that, despite being very similar, have developed differently with respect to one specific historical phenomenon. The simple idea is that by isolating the few critical factors that actually were different between the two cases one comes closer to discerning the probable factors causing the differences in outcome. Features that were similar between the two cases are logically ruled out as possible explanations and one is left with the variables that varied between

⁸⁸ J. Kocka, ‘Historische Komparatistik in Deutschland’, in H-G Haupt and J. Kocka, *Geschichte und Vergleich. Ansätze und Ergebnisse international vergleichender Geschichtsschreibung* (Frankfurt/Main: Campus, 1996), p. 47. To be sure, Kocka himself is an enthusiastic supporter of comparisons in history, and the citation thus needs to be read as Kocka’s view on historicism and not as his view on comparisons. I am grateful to Professor Jan Eivind Myhre, University of Oslo, for introducing me to this specific citation, as well as to Kocka’s work in general.

⁸⁹ J. Kocka, ‘The uses of Comparative History’, in R. Björk and K. Molin (eds), *Societies made up of history* (Edsbruk: Akademityck AB, 1996).

⁹⁰ *Ibid.*, p. 210.

⁹¹ To be sure, one exception is the work of Kocka just cited, see *Ibid.* Methodological and theoretical discussions of comparisons in history are also provided in M O’Connor and D. Cohen (eds), *Comparison and History: Europe in Cross-National Perspective* (New York: Routledge, 2004). For a Norwegian account see F. Sejersted, ‘Sammenligning er ikke bare sammenligning’, i F. Sejersted, *Sannhet med modifikasjoner* (Oslo: Pax, 2003).

⁹² H. Rinde, *Kontingens og kontinuitet. Framveksten av stabbengiggr organisasjonsmønstre i skandinaviske telefoni* (PhD dissertation, University of Oslo, 2004). See also K. Kjelstadli, ‘Nytten av å sammenligne’, *Tidsskrift for samfunnsforskning* 29 (1988), 435–48.

⁹³ J. S. Mill, *A system of logic: Ratiocinative and Inductive* (Honolulu: University Press of the Pacific, reprint, 2002). The analytical basis of these approaches has been presented in numerous books and articles and I do not intend to repeat these here. I thus limit myself to a very short description to relate these standard approaches to the present study. For overviews see B. S. Tranøy, ‘Komparativ metode – mellom ideografiske og nomotetiske idealer’, *Sosiologi i dag*, 23:4 (1994), 17–40; T. Landmann, *Issues and Methods in Comparative Politics* (London: Routledge, 2000) and F. Sejersted, ‘Sammenligning er ikke bare sammenligning’, i F. Sejersted, *Sannhet med modifikasjoner* (Oslo: Pax, 2003).

the cases. The opposite approach is that of the method of agreement, where the idea is to compare very dissimilar cases that, despite their huge differences, show similar development traits. The logic of this approach is that by isolating the few factors that actually were similar in both cases, one has detected the probable factors causing the similarity in development traits.

Neither of Mill's analytical tools, which are basically simplified techniques of ruling out 'irrelevant' variables in order to come up with a few, or preferably one single explanatory factor, should be uncritically transferred to historical inquiries.⁹⁴ Indeed, as several commentators have noted, the logical rigour of Mill's approach has shown to be difficult to apply to and, many would say, unsuitable for the development of complex historical investigations. Norwegian historian Francis Sejersted has argued that the method of difference in particular settings may be fruitfully employed by historians, but is sceptical of using the method as a singular tool. He therefore calls for the eclectic combination of different methodological approaches when doing comparative history.⁹⁵ French historian Paul Veyne takes an even more radical stance when he simply claims that 'comparative history has nothing to do with the "method of difference".'⁹⁶ The argument – also propounded by historically oriented sociologists – is basically that the analytically stringent models simply fail to grasp the complexities of social processes, as 'many phenomena of interest ... are shaped by constellations of factors rather than just one in isolation.'⁹⁷ Historical comparisons thus generally need to account much more for the complexities of both the differences and the similarities of the cases in question. Subsequently, they also have to allow for less parsimony in the explanatory models developed.

The present study is an attempt at doing systematic comparative history. It is comparative in the sense that it 'systematically investigates two ... historical phenomena with reference to their similarities and differences to arrive at explanations, interpretations and further conclusions', to use Kocka's words.⁹⁸ It further purports to be 'systematic' in the simple sense that it, from the outset, has clarified 'why X is being compared with X, in what respect and with what aim.'⁹⁹ Rather than aiming at isolating one or two explanatory variables explaining the divergent developments of post-war consumer co-operative organisations, the present comparison puts the main emphasis on examining the complexities of factors shaping the divergent developments of

⁹⁴ H. Rinde, *Kontingens og kontinuitet. Framveksten av stianhengige organisasjonsmonstre i skandinaviske telefoni* (PhD dissertation, University of Oslo, 2004), p. 14.

⁹⁵ F. Sejersted, 'Sammenligning er ikke bare sammenligning', i F. Sejersted, *Sannhet med modifikasjoner* (Oslo: Pax, 2003).

⁹⁶ P. Veyne, *Writing History* (Middletown: Wesleyan University Press, 1984), p. 127.

⁹⁷ D. Rueschmeyer and J. D. Stephens, 'Comparing Historical Sequences – A Powerful Tool for Causal Analysis', *Comparative Social Research* 16 (1997), 57.

⁹⁸ J. Kocka, 'The uses of Comparative History', in Ragnar Björk and Karl Molin (eds), *Societies made up of history*, Edsbruk: Akademitryck AB 1996: 197.

⁹⁹ *Ibid.*, p. 198.

the two organisations in question. The study reconstructs how the British and Norwegian consumer co-operative movements approached a selected set of challenges and by way of this reconstruction proposes a broad historical explanation of their divergent developments.

The systematic comparison that will be carried out throughout the study will then serve the heuristic purpose of helping to identify explanatory components that would possibly not be noticed; or at least would be more difficult to notice without the use of a comparative design.¹⁰⁰ It will also have the analytical purpose of ruling out or elaborate existing explanations as well as to develop new ones. This comparative approach forms the basic methodological tool on which the study bases its main conclusions

Sources

Having stated the analytical and methodological approach of the study, we also need to assess the sources on which it is based. What kinds of empirical data will the study use to answer the questions it has posed and to what extent are these sources reliable, representative and sufficient?

The available data on the British and Norwegian consumer co-operatives is immense. As regards the selection of empirical data, I have therefore focused on material gathered in the two movements' main archives. The main source of information on the Norwegian development has been the archive of the Norwegian Co-operative Association (NKL) in Oslo. Data on the UK development have been obtained from The National Co-operative Archive in Manchester. Both these archives hold substantial collections allowing for a comprehensive study of all the major aspects of consumer co-operative development in the post-war period.

The Oslo archive holds the full company record of the NKL. It holds all major statistical information on the Norwegian movement as well as an abundance of other types of printed sources, including stenographic congress proceedings, annual reports of the NKL, major strategy documents, co-operative journals and co-operative newspapers. The archive also contains some private archives of leading NKL officials. Finally, the archive has a broad collection of secondary literature, including numerous histories of local retail societies.

The National Co-operative Archive in Manchester holds a similar wealth of varied information on the British consumer co-operative movement. It holds a complete set of the *Co-operative Statistics*, published annually by the Co-operative Union since 1876. The statistics give information from the balance sheets of individual co-operative societies as well as regional and national summaries of figures such as membership, number of employees, sales, surplus and

¹⁰⁰ See P. Veyne, *Writing History* (Middeltown: Wesleyan University Press, 1984), p. 126: 'Comparative history reveals nothing that could not rightly have been discovered by a non-comparative study; it only facilitates the discovery.'

dividend.¹⁰¹ Other important printed sources held are annual reports and accounts of the CWS, stenographic congress proceedings, printed reports from commissions, strategy documents and trade reports, as well as an abundance of different national and international co-operative journals, including a complete collection of the *Co-operative News*, the world's oldest co-operative newspaper.¹⁰² The archive also holds substantial secondary material, such as existing histories of the national federative organisations (The Co-operative Union, the CWS and the SCWS), histories of local societies and general literature on the British as well as the international consumer co-operative movement.

All these different types of sources have been applied in the present study and they form the study's main source of information. Some additional sources have also been used. Most prominently, some information on the Norwegian development has been taken from a series of open-ended interviews made with a selection of CEOs and NKL chairmen, as well as with a selection of board members and employees in both the NKL administration and local co-operative societies. The interviews were conducted in the period between 2002 and 2005, as part of a larger research project on the history of the Norwegian consumer co-operatives. And while they suffer from all the standard weaknesses of qualitative interviews (the problem of recollecting events accurately, the tendency of interviewees to overstate their own importance and ignore their mistakes, an unwillingness to disclose sensitive information, etc), they provide fruitful insights into the main strategic visions of many leading Norwegian co-operators. The interviews also contain several more or less critical assessments of the co-op's development during and after the interviewees own reign, which provide interesting starting points for subsequent analysis.

The study has also adopted some statistical information gathered from the head offices of the ICA, Intercoop and the NAF Group, as well as from national consumer co-operative movements around Western Europe.¹⁰³ This information has primarily been applied to developing general statistical overviews of market development and membership figures in Western European consumer co-ops. To account more fully for the development of consumer co-operative trade in these countries the study has also relied on secondary sources in the form of published books and journal articles. While visits to the headquarters of the different international co-operative organs or to different national co-operative archives might have provided more extensive information, this was deemed neither necessary nor cost efficient. The

¹⁰¹ The archive can be visited at archive.co-op.ac.uk.

¹⁰² In 2001 the *News* celebrated 130 years of continuous weekly publication, see www.thenews.coop.

¹⁰³ The ICA (the International Co-operative Alliance) is the international apex organisation of all types of co-operative enterprises. Intercoop is a buying office and a service organisation for Scandinavian, Italian and Spanish co-operatives. The NAF group (Nordisk Andelsforbund) was originally a common buying organisation for consumer co-operatives in the Nordic countries. By January 2008 it will be a part of the newly established Coop Trading A/S.

objective of the study has not been to provide a full outline of developments in European consumer co-operatives. Apart from presenting a convincing statistical overview of the main development trends, the overall commercial, organisational and ideological developments of co-operative retailers in other countries are, when presented, largely intended as a contrast through which the British and Norwegian developments can be made more comprehensible. For that purpose secondary literature was considered sufficient.

The study does not to any particular extent draw on archives of local retail societies but rather focuses in full on the national co-operative archives of the British and Norwegian consumer co-ops. Information on specific developments in co-operative societies is instead collected from existing societies' histories. While these societies' histories obviously are of an extremely varied quality, information used from these sources have largely been applied as examples or factual accounts on general developments such as when and where a new store opened and how concrete national policies were adopted (or not adopted) at the local level. The value for the present analysis in collecting data from local archives would in any case be limited. The study is primarily devoted to the general development of national consumer co-operative movements taken as a whole and does not intend to offer detailed inquiries into e.g. technological and organisational innovations among single, independent retail societies. Hence, a meticulous analysis of local archives would not lead to any major alterations in the existing interpretations of the overall development patterns studied here.

A final point regarding the selection of empirical material concerns the use of unprinted company records versus the use of printed sources. As already noted, the archive of the Norwegian consumer co-op holds a full company record of the NKL, including internal records, strategy reports, minutes and protocols. These have been applied throughout the analysis and thus form an important source of information on the Norwegian development. Similar company records have not been adopted in the UK case. The analysis of this case is therefore based entirely on printed sources. For example, the development of an organisation such as the CWS has been recorded from sources such as published strategy reports, articles in co-operative journals and in the co-operative press and existing secondary analyses, most prominently one book and one outline of a book on the post-war history of the national wholesale federative.¹⁰⁴ Also, the analysis of the more general development of the movement is based on such printed sources. The lack of unprinted sources should, however, not be regarded as a major shortcoming.

¹⁰⁴ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977) and S. Yeo, *A chapter in The Making of a Successful Co-operative Business. The Co-operative Wholesale Society 1973-2001* (Manchester: Zebra Publishing, 2002).

First, some of the printed sources are in practise reprints of internal strategy reports and thus provide a full insight into the organisation's strategic consideration and ultimate choices. Second, as regards the internal co-operative journals specifically, these largely functioned as arenas where local and national co-operative managers and elected officials spelled out their main strategic vision as well as the practical steps that had been taken to face them. This also goes for the debates of the Co-operative Union congresses, reprinted as yearly stenographic reports. Third, factual development trends are also openly available in the printed sources and can be sufficiently detected without access to internal, unprinted records. Hence, it is generally held that the printed sources applied provide more than enough information to answer the research questions posed.

Having stated the major sources of information adopted in the study, what remains is a closer presentation and examination of these sources. The first source to be considered is the statistics. For the Norwegian development the study relies on statistics developed by the NKL. Each year, the local retail societies reported their main trading figures to the NKL, who systematised the figures and developed general overviews. From the 1950s these overviews were published yearly under the heading *Forbrukersamvirket i Norge*. A selection of this statistical material has later been gathered by the statistics department in the NKL in the database *Våre Tall 1907-2005*.¹⁰⁵ Some statistical overviews have also been constructed by combining these figures with data reported in the annual reports of the NKL. Finally, some statistical information on recent developments gathered by the Boston Consulting Group and Ac Nielsen Norway for the co-operative movement in Norway has also been applied in the analysis.¹⁰⁶

Concerning statistical data on the UK consumer co-ops I have mainly relied on the *Co-operative Statistics*, published yearly by the Co-Operative Union. Similar to the Norwegian statistics, this publication was 'compiled, in the main, from Annual Returns made by societies to the co-operative Union.'¹⁰⁷ This publication contains, as already noted, a wealth of information on the development of local retail societies as well as on the movement as a whole. To some extent the study has also applied statistical information gathered from international co-operative associations as well as other consumer co-operative organisations around Western Europe.

How reliable is the statistical data? As a general conclusion I would say; very reliable. Obviously, in any statistical material of a dimension similar to that of the Norwegian and British consumer co-operatives, unsystematic errors will always occur. There are, however, no apparent

¹⁰⁵ From now on referred to as Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

¹⁰⁶ K4, anteroom of the administration 'figures developed by AC Nielsen for the Boston Consulting Group and Coop NKL', 24 January 2006.

¹⁰⁷ Co-operative Union, *Co-operative statistics* (Manchester: Co-operative Union, 1950), p. 3.

reasons to suspect any form of systematic bias in the figures. First, the statistics have been recorded regularly each year over a substantial period of time. This has facilitated regular control and correction of the submitted data. Secondly, collection of retail society statistics has throughout the history of the co-operative movement been regarded as an important means of recollecting the achievements of the organisation. The national federative organisations have operated separate statistical units with separate statistical managers, securing a professional treatment of the data collected. And thirdly, it is simply difficult to see any reason why the retail societies would systematically report wrong figures when submitting their trading figures to their own federative organisation.

On these grounds there are few immediate reasons to doubt the accuracy of the statistical figures reported. Looking closer at some of the main variables presented and analysed in the present study there is still a need to make a few remarks. The first concerns the membership figures. These are known to be inaccurate. While the trends of rising and declining membership reported by the figures probably show a fairly precise trend, the number of members reported to be affiliated to the co-op is too large. Already in 1938, a separate report from the Co-operative Union noted that ‘the trading membership of the Co-Operative Movement is at least 1,000,000 less than the total membership figure’.¹⁰⁸ These problems escalated throughout the post-war years and in 2001, a large commission on the British consumer co-operative concluded that ‘The current estimate of membership of the UK Co-operative Movement, of around 10 million, we believe is a substantial overestimate and the true membership figure may be less than two million.’¹⁰⁹

The reasons behind these highly inaccurate figures are fairly straightforward. Retail societies on a general basis simply failed to update their membership lists and continued to report members that had left the society, moved or died. In cases of mergers between societies membership records also tended to be passed on without being checked. The records of the new society thus ended up being highly inaccurate.

This systematic error in the number of members does not, however, seriously affect the general statistical trend of rising and declining membership. It is evident that the popular support for co-operative trade in Britain, estimated by the number of members affiliated to the co-op movement, is much weaker than the official statistics indicate. But as the level of the figures are systematically biased, the statistical trend showing an increase in membership prior to 1960 and a

¹⁰⁸ Cited in J.B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 55.

¹⁰⁹ The Co-operative Commission, *The co-operative advantage. Creating a successful family of co-operative businesses* (Manchester: The Co-operative Commission, 2001), p. 41.

decline in membership after 1960, may still be regarded an accurate description of the overall trend.

Another important figure steadily reported in the analysis is that of co-operative market share. This is a difficult estimate, especially in the decades prior to 1970. Historically, insufficient trade statistics made accurate estimates of market shares in specific retail trades difficult to collect. Such figures are thus seldom reported in the existing statistics. When reporting on the co-operative market share in the food trades I have therefore drawn on additional sources to that of the co-op statistics. In the British case I have used the estimates presented by retail analyst and co-operative researcher Leigh Sparks in an article on the post-war development of the British consumer co-ops, presented in the *Journal of Co-operative Studies* in 1994. These figures have, according to the author, been obtained from the Co-operative Union. They should therefore be fairly reliable.¹¹⁰ In the Norwegian case I have used estimates presented by NKL employee Stein Halvorsen in a 1954 article presented in the co-operative journal *Forbrukeren* and estimates presented in an internal NKL report on developments in co-operative trade, completed in 1968.¹¹¹ These two estimates are simply the only figures obtainable on the market position of Norwegian co-operative trade in this period. The fact that the two figures reported correspond quite well does, however, indicate that they are also fairly accurate.

Turning to the statistics on co-operative sales and co-operative profits, the data reported are most likely correct. Some challenges do however exist when comparing these figures across national borders. Most importantly, different regimes of price regulation make direct comparisons of average profit of limited interest. Typically, accounts of average profits have thus been used primarily to compare the achievements of co-operative trade with those of competing retailers or to illustrate internal ups and downs in the fortunes of the two national consumer co-operative organisations.

A final point relates to how changing principles of accounting will always affect the accuracy of statistical time series. Changes are, however, seldom so fundamental that they affect the ability to illustrate general trends. In this respect, it also needs to be taken into account that the present thesis restricts itself to very simple and straightforward statistical comparisons and does not intend to provide any advanced statistical analysis of the economic development of the Norwegian and British consumer co-operatives.

¹¹⁰ L. Sparks, 'Consumer Co-operation in the United Kingdom 1945-1993', *Journal of Co-operative Studies*, 79 (1994), 25. I have not managed to find these estimates in the National Co-operative Archive.

¹¹¹ S. Halvorsen, 'De første resultatene fra bedriftstellingene 1953', *Forbrukeren*, 10:10 (1954), 239-41; NKLs Utredningskomite, *Forbrukersamvirke under utvikling* (Oslo: Norges Kooperative Landsforening, 1968).

A second main group of sources employed in the analysis are the stenographic reports recorded at the co-operative congresses in UK and Norway. In Norway, the NKL hosted a co-operative congress every second or third year.¹¹² These congresses gathered delegates from co-operative retail societies around the country. While the principal rules governing the authority and responsibilities of the congress changed throughout the period, its basic function was to work as the highest decision-making organ in the movement. Formally, it elected members to the governing board of the NKL and debated and voted over the annual reports of the national association. It was also the prime arena for discussions on general issues of co-operative trade, co-operative development patterns and future strategies.

In the UK, congresses were held annually, gathering several thousand delegates from around the UK. The authority of the congress over trading matters was much weaker in the UK than in Norway. As we recall, the Co-operative Union is not primarily a trading organisation, but more of a general interest organisation for the retail societies. Still, throughout its history the Union provided substantial advisory services to the retail societies on issues of co-operative trading. The yearly congresses therefore also functioned as an important arena for discussing issues of trade and the general economic development of the retail societies.

The debates referred to in the congress proceedings thus provide invaluable insight into major issues of co-operative trade, the competitive climate as it was perceived by the British co-operators, as well as the different solutions presented and debated to solve the different challenges. On similar lines, the reports of the Norwegian co-operative congresses provide both valuable factual information on the movement's development and offer an invaluable insight into the general perceptions and attitudes held by Norwegian co-operators. True, a possible problem with adopting these proceedings as data is related to the large and formal character of the congress discussions. It is not evident that all opinions actually existing in the movement were openly expressed under such circumstances and thus the congress debates may only partly reflect the actual attitudes of British and Norwegian co-operators. But these problems are not of a major kind. And when the information gathered from the congress proceedings are applied together with other sources they provide an important source of information on the development of the two consumer co-ops.

¹¹² In the period from 1950-1965 the congress was held every second year. From 1965 to 1986 it was held every third year. In 1986 it was decided to further extend the intervals to every fourth year. From 1990s onwards, however, the total decision-making structure of the movement was reorganised to comply more fully with the structures operated by private joint-stock companies. The number of participating delegates was reduced to one hundred and meetings were held yearly. In 2002 the congress was replaced by an extended board of representatives as the movement's prime decision-making organ.

A third group of important sources are the annual reports and accounts of the NKL and the CWS, together with the many commissions, strategy documents and trade reports developed within the movements from the 1950s onwards.¹¹³ The account of the British development has especially profited from the use of these latter sources. They include such reports as: *Questions and answers on co-operative self-service* (1949), *Self-service shops. A joint report* (1952), *The Co-operative Independent Commission Report* (1958), *The National Amalgamation Survey* (1960), *Report of the Joint Reorganisation Committee* (1965), *Regional Plan for Co-operative Societies in England, Wales and Ireland* (1968), *Forbrukersamvirket under utvikling* (1968), *Regional Plan II* (1974), *Strategiplan for S-lagene og NKL 1985-1994* (1986), and *The Report of the Co-operative Commission* (2001). Most of these reports, except for the Independent Commission and the Co-operative Commission, were largely researched and written by internal representatives from the co-op movements. In the British case this included representatives from the Co-operative Union, the CWS and local retail societies. In the Norwegian case representatives from the NKL and the local retail societies participated. The reports represent an important source of information on the basic perceptions and views held by Norwegian and British co-operators throughout the post-war years, as well as the ideas and plans spelled out to meet future challenges. They simply offer very good insights into the major trading problems experienced by the two movements, the strategies chosen to meet them and, at least to some extent, how successfully these were implemented.

A final set of important sources are the many different co-operative journals published by the co-operative movement in Norway and the UK, including trade journals, member's magazines, newspapers and scientific journals. In Norway, most prominently *Kooperatoren* and *Forbrukeren*. In the UK, the major journals consulted are *The Co-operative Review*, *Agenda*, *Co-operative Management and Marketing* (from 1975 renamed *Co-operative Marketing and Management* and from 1988 renamed *Retail Marketing and Management*), *Society for Co-operative Studies Bulletin* (from 1985 renamed *Journal of Co-operative Studies*), and *The Co-operative News*. Some information and viewpoints have also been collected from the official journal of the International Co-operative Alliance, the *Review of International Co-operation*.

The data collected from all these journals has generally been treated on similar lines as data from the other printed sources. The publications are all edited within the co-op movements and the large majority of them are primarily targeting different types of movement representatives, be they managers, elected officials or members. They often contain important factual information on the development of the co-op movement as well as numerous articles written by managers, elected officials and lay members of the movement presenting viewpoints,

¹¹³ Annual reports and accounts from the SCWS have not been used in the present thesis.

local histories or broader analysis of ongoing or past development trends in the movement. To some extent these journals also contain articles written by outside academics, analysing historical development trends or other aspects of co-operative retailing. These contributions have been treated as secondary literature and are specifically referred to in the bibliography.

The question again arises whether the two last groups of sources provide accurate descriptions of the developments to be analysed. The general answer to this question would be that as long as the analysis draws its information from a wide variety of such sources and to the extent that these different sources together may be used to develop a convincing and coherent argument, they should be regarded a fruitful, necessary and reliable form of data in the historical analysis.

We turn then to the secondary sources. As already noted, secondary material has been applied to account for the general development trends among consumer co-operative organisations in Western Europe. It has also been used to gather information on local retail societies and to some extent to account for the main development trends within the CWS. Some secondary sources have, however, also been applied in the broader analysis of the Norwegian and British development. Most importantly, in analysing the Norwegian development, some of the main parts draw heavily on a recent publication of the history of the Norwegian consumer co-operative movement.¹¹⁴ This study is, however, an edited work in which I participated as one of five authors. Any reference to this work is thus to be considered as the use of research I myself have partly conducted and for which I bear responsibility. Apart from this study, a few recently published master theses and research reports on different aspects of consumer co-operative history have been applied.¹¹⁵

Concerning the UK case, existing secondary literature on post-war developments is fairly limited. The most encompassing and convincing analysis to date of the post-war UK consumer co-operative development has been provided by the British retail professor Leigh Sparks. This

¹¹⁴ E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006).

¹¹⁵ Most prominently these include E. Ekberg and J. Vatnaland, *Visjonen som brast. Forbrukersamvirkets møbelsatsing 1993-2001* (Oslo: Institute for social research, 2003); H. Espeli, *Samvirkebeskatningen i Norge. En historisk analyse med bodedekt på forbrukerkooperasjonen på 1900-tallet* (Oslo: Institute for Social Research, 2003); E. Ekberg and J. Vatnaland, 'Corporate efficiency, democratic legitimacy and consumer-political integrity: Norwegian consumer co-operatives, 1970-2002', in I. Theien and E. Lange (eds) *Affluence and Activism. Organised Consumers in the Post-War Era* (Oslo: Unipub, 2004); K. Kirknes, *Reell handel - ikke sirkus. Samvirkelegenes blå-hvite varer 1980- 1994* (Ma thesis, University of Oslo, 2004); H. Sund, *Mellom kommersielle krav og ideelle formål. Organisasjonsvirksomheten i NKL 1945-1959* (Ma thesis, University of Oslo, 2005); T. Leborg, *Rikere hverdag. NKLs forbrukeropplysning 1960-1969* (Ma thesis, University of Oslo, 2005) and J.C. Stavenes, *Smart forretning. Innføringen og utviklingen av selvbefjeningssystemet i dagligvarehandelen i Oslo, 1945-1960* (MA thesis, University of Oslo, 2007).

study was published in the *Journal of Co-operative Studies* in 1994.¹¹⁶ Sparks has also written an important article on the development in the last half of the 1990s and into the new millennium.¹¹⁷ Studies taken from outside the realms of the co-op movement itself include Franz Müller's broad account of the British consumer co-operative movement published in the earlier presented two volume work *Co-operatives in a Changing world*, a study by Joshua Bamfield on the post-war strategic development of the British co-ops and Alan Hallsworth and James Bell's recent article focusing on post-war consumer co-operative decline, as well as on possible paths for a future revival of the British consumer co-ops.¹¹⁸ All these studies provide important insights into the development of the British consumer co-ops, most prominently in the form of further factual accounts of the movement's post-war economic development.

A final group of secondary literature is represented by company histories of the co-ops' main competitors as well as more general studies of retailing.¹¹⁹ These studies are primarily used to account for the more general development trends in the post-war food retailing market and to compare the developments in co-operative retailing with that of their main competitors.

To summarise, the present study draws on material from a wide selection of different sources. This sub-chapter has presented the main types of such sources and evaluated to what degree they are reliable, representative and sufficient. Taken together, it has been argued that the empirical data selected is both consistent and adequate to answer the research question posed.

Structure of the thesis

The subsequent analysis is organised in three main sections. The first section deals with the major post-war transformations at the retail level. Specifically, it investigates how the co-operative movements in Norway and the UK faced the rise of the large, self-serviced supermarkets, superstores and hypermarkets within the food retail industry, as well as the later development

¹¹⁶ L. Sparks, 'Consumer co-operation in the United Kingdom 1945-1993: Review – and prospects', *Journal of Co-operative Studies*, 79 (1994), 1-64.

¹¹⁷ L. Sparks, 'Being the best? Co-operative retailing and corporate competitors', *Journal of Co-operative Studies*, 104 (2002), 7-26.

¹¹⁸ F. Müller, 'The consumer co-operatives in Great Britain', in J. Brazda and R. Schediwy (eds.), *Consumer co-operatives in a changing world*, vol. 1 (Geneva: International Co-operative Alliance, 1989); J. Bamfield, 'Rationalization and the Problems of Re-positioning: UK Co-operatives Caught in the Middle', in Gerry Johnson (ed.), *Business Strategy and Retailing* (Chichester: John Wiley & Sons, 1987) and A. Hallsworth and J. Bell, 'Retail change and the United Kingdom Co-operative Movement – new opportunity beckoning?', *International Review of Retail, Distribution and Consumer Research*, 13.3 (2003), 301-15.

¹¹⁹ The most prominent examples include, A. Strand, *Dagligvarekjøpmennene og samfunnet 1958-1988* (Oslo: Norges Dagligvarehandels Forbund, 1988); D. Powell, *Counter revolution. The Tesco Story* (London: GraftonBooks, 1991); B. Williams, *The Best Butter in the World. A History of Sainsbury's* (London: Ebury Press, 1994); D. Bredal, *Kampen om ditt daglige brød. Bak kulisene i dagligvarebransjen* (Oslo: Schibsted, 1996); N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002) and E. Røsrud, *Dagligvareforbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003).

among leading multiples of a multi-format structure of stores. This section consists of four chapters. The first (chapter two) analyses the arrival of self-service retailing and how this was approached by the Norwegian and British consumer co-operatives. The next chapter (chapter three) presents and analyses the rise of the supermarket, while the following deals with the development of superstore and hypermarket trading (chapter four). The last chapter of the section (chapter five) analyses the process of retail diversification, which seriously took off in the Norwegian and British food retail industry from the 1990s onwards.

The second section moves the focus beyond the level of the store and analyses the role of organisational factors in explaining the divergent developments of the Norwegian and British consumer co-ops. It specifically explores how the rise of the large, multiple food retailers was dealt with by the Norwegian and British consumer co-operative movements. This section is organised in three chapters. The first (chapter six) shows how the competitive situation in the Norwegian and British food retail sector was perceived and acted upon by the two countries' co-operative movements in the immediate post-war years. The second chapter (chapter seven) specifically discusses how amalgamations of local retail societies into larger units in the 1960s and 1970s came to form a basic strategy for both the British and Norwegian co-operative movement in dealing with the chain store challenge. The third and final chapter of the section (chapter eight) specifically discusses the different attempts made by co-op societies to better coordinate the operational procedures and overall flow of goods in the movement through different forms of organisational standardisation and integration.

The third and final empirical section of the thesis turns the attention away from the operational practises and organisational structures of co-operative trade and deals more specifically with its ideological role and profile. It explores how competitive changes, as well as parallel societal changes, challenged the viability and relevance of co-operation as an alternative form of retail trading. This section is divided into two chapters. The first chapter (chapter nine) concerns how the co-operatives in the UK and Norway tackled the increasing questioning of their traditional role as a consumer movement. It further explores how the two organisations perceived and interpreted the lack of popular enthusiasm for their democratic governance structure and shows the practical steps taken to approach this development. The second chapter (chapter ten) explores more specifically how the Norwegian and British consumer co-operative movements worked to revive and improve the economic principle of the dividend in order to make it relevant and economically attractive for the post-war affluent consumer.

On the basis of these empirical analyses the study aims to provide a broad answer to the question initially raised, namely why the Norwegian consumer co-operative movement

throughout the post-war period managed to strengthen and sustain its market share and increase its membership, while the British movement in the same period lost substantial market share and saw its membership figures decline dramatically. In a final chapter (chapter eleven) the different themes discussed to provide an answer to this question are drawn together in a final, concluding analysis.

Section I: Stores

The post-war period witnessed several radical transformations in how food was sold to the consumer. In 1946 practically all food stores in Western Europe were based on counter service. Most of these stores were highly specialised, selling meat, fish, fruit, bread, milk or groceries. The stores were small, numerous and located close to the consumer. They were also very similar in kind. Stock, outlay and pricing policy was more or less the same in all stores. Apart from obvious variations in the quality of how the store was run, the main visible difference was the name of the store. This would typically refer to the surname of the store's owner. The stores received regular visits from their customers. Shopping for food was done on a daily basis and implied visits to various speciality retailers.

By the end of the century this situation had been drastically altered. Most food was now sold on a self-service basis in stores stocking all daily household requirements, including fresh products such as fish, meat and milk, as well as a wide range of non-food products. The average size of the stores had risen tremendously, while the number of shops had been drastically reduced. In the period from 1950 to 2000 the number of food stores in the UK was reduced from 256,000 to 14,500.¹²⁰ In Norway a similar period saw a reduction from approximately 13,000 to 4,022.¹²¹ Stores varied substantially in their outlook and operational rationale. Small, centrally located convenience stores traded alongside large out of town hypermarkets. Some stores would trade on the promise of offering high quality products while others focused more exclusively on convenience or low price. At the same time, many of these different store formats were owned by single enterprises and they traded under similar brands across the country in which they belonged.¹²² Alongside these transformations at the corporate level, consumer habits had also changed radically. Shopping for food was done on a much less frequent basis than earlier and most daily provisions were bought by way of one stop shopping.

The theme of this section is to explore how these fundamental changes in the selling of food were approached and handled by the co-operative retail organisations of UK and Norway.

¹²⁰ Figures taken from Co-operative Union, *Co-operative Independent Commission Report*, Manchester 1958: 40 and Nordic competition authorities, *Nordic Food Markets – a taste for competition*, Report 1/2005: 59/67. The figures for 2000 only include shops that belong to chains, excluding speciality food shops and independent kiosks. This does not, however, alter the general picture of a drastic decline in the total number of food stores.

¹²¹ This is an approximate figure as there are no reliable data on the number of food stores in Norway in 1950. In 1963, there were 12, 664 food stores in Norway according to A. Strand, *Dagligvarekjøpmennene og samfunnet 1958-1988* (Oslo: Norges Dagligvarehandels Forbund, 1988) and E. Røsrud, *Dagligvarekjøpbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003).

¹²² Some companies would also trade internationally under the same brand, e.g. Spar, Aldi, Lidl, Tesco, Carrefour.

The development of self-service technology offered possibilities for substantial improvements in the productivity of the retail store. Properly applied, it could both increase the sales and reduce the costs of the operations. Further economies were exploited by increasing the size of the store. The most radical examples of such scale economies in food retailing were represented by the so-called hypermarkets. While the traditional counter serviced store of the early 1950s typically operated on a sales area well beyond 1,000 square feet, the hypermarkets held a minimum sales area of 55,000 square feet.¹²³ In addition to scale, food retailers gradually also started to exploit the competitive advantages of being present in many different markets. Hence from the 1980s and 1990s onwards major retailers increasingly operated a diversified structure of stores, including small, local convenience stores and kiosks, as well as medium sized supermarkets and large, out of town and edge of town hypermarkets and superstores.

The ability to confront these dramatic transformations in the operational principles of the major food retailers was fundamental in shaping the market survival of post-war retailers. To survive in the market place, it was simply necessary to develop a structure of stores capable of exploiting the full economic potential of the self-service system. To remain among the market leaders, it became necessary to develop a multi-format approach and compete aggressively in many different market segments.

The economic development of the co-operative movement throughout the post-war period was intrinsically linked to how these challenges were dealt with. As it turned out, the challenges were approached differently by the British and Norwegian consumer co-ops. In the UK, the co-operative movement soon lost its initial lead in the development of new retail formats. After introducing self-service trading in the British market the co-ops were surpassed by private retailers in the further development of the most competitive and attractive stores. By the turn of the century the organisation decided to abandon its large scale operations and concentrate exclusively on smaller, in-town convenience stores. Hence, while most major retailers diversified their structure of shops to compete in different market segments, the co-ops chose to concentrate their operations in one, specialised segment. The most visible consequence of these developments was a substantial loss in market shares. By 2002, the co-operative societies' share of the food retail market had been reduced to 5 per cent, a quarter of its peak level of approximately 20 per cent in 1955.

In Norway by contrast, the co-operative movement managed to hold on to its initial lead in self-service and supermarket trading. On average, co-op stores remained larger than those run

¹²³ Estimates from F. Lambert 'Self-service review', *Agenda*, September (1954) and N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), pp. 76-83.

by private retailers. In 1968 the co-ops opened the country's first hypermarket, and throughout the 1980s and 1990s a chain of co-operative discount stores, a chain of supermarkets as well as a chain of local community stores were developed. The co-operative movement thus managed to diversify its structure of shops and remain an important player in all the major segments of the market. Sales and market share rose gradually throughout the immediate post-war years to be stabilised from the mid 1970s onwards at around 24 percent.

The present section describes and analyses this divergent development. Specifically, it seeks to show how the Norwegian and British consumer co-operatives approached the coming of the self-service store, the growth in the size of the retail outlets and the development among major food retailers of a diversified, multi-format structure of stores. It analyses similarities and differences in how these challenges were approached and how the differences shaped the divergent economic development of the two movements. The analysis proceeds through four chapters. The first chapter (chapter two) concerns the coming of the self-service store. It briefly presents the major features of the self-service technology and shows how the co-op movement approached the challenge of transferring their stores to self-service. The second chapter (chapter three) analyses the development of the supermarket while the third chapter (chapter four) deals with the development of superstore and hypermarket retailing. The chapters present the principle operational rationale of the supermarket, the superstore and the hypermarket and discuss differences and similarities in how the co-operative movement in the UK and Norway confronted the development of such large scale retailing formats. The fourth and final chapter (chapter five) presents the process of retail diversification and how this was perceived and approached by members of the Norwegian and British co-operative movements.

Chapter 2: Self-service

In 1942 the London Co-operative Society, under the leadership of Harold Wicker, opened what has come to be regarded as the first self-service store in the UK.¹²⁴ Five years later, in October 1947, the Oslo Co-operative Society opened Norway's first outlet constructed on self-service lines. The opening of the two stores is illustrative of the important role the co-operative societies of the UK and Norway were to take in the implementation of self-service within their respective home markets. By 1950, co-op societies still controlled more than 90 per cent of all self-service stores in the UK. A similar, if somewhat inferior lead was taken by Norwegian co-operative societies.

Despite the innovative role taken by both the British and Norwegian co-ops, the transformation to self-service was to become an important starting point in the process by which the two organisations departed on very different development paths. As it turned out, while the UK co-ops gradually started to lose out to their major competitors in the development of the self-service system, Norwegian co-operators remained leading proponents of self-service retailing in the Norwegian market.

This chapter describes this development and explores some possible reasons for the divergence in development. The analysis focuses on three main questions. The first concerns how the transformation to self-service was approached by the co-operative societies. Was it primarily based on fast and simple conversions of existing premises or did it imply more meticulously planned refurbishments or the opening of new, purpose built stores? The second question deals with how private retailers responded to the self-service system as it was introduced by the co-operative societies. Did the private food retailers manage to counter the early initiatives taken by the co-operative societies into self-service trading or were they in one way or other hindered from competing with the co-operative stores? Finally, how was the transfer of trade to self-service affecting the general system of distribution operated by the retail societies? Was the self-service revolution mostly dealt with as a retail transformation, or did it affect the whole system of distribution and merchandising?

¹²⁴ The early development of self-service is discussed in detail in F. Lambert 'Self-service review', *Agenda*, September (1954), 81-112. For more recent accounts stating the 1942 London opening to be the first self-service venture in the UK, see D. Powell, *Counter revolution. The Tesco Story* (London: GraftonBooks, 1991), p. 51.

The self-service technology

The traditional grocery shop as it had developed from the 19th century was based on counter service. Basically, this implied that the shop-floor was divided in two and that most of the products sold in the store were stacked behind a counter, separating the customers from the sales staff. The customers were served on an individual basis presenting their requests to a sales person who would then pick up the item from behind the counter. Most goods were stored in large sacks, barrels and bins and had to be weighed, packed and priced by the sales personnel on the premises. The selection of merchandise stored in any given shop varied. Generally, the shops stocked basic groceries such as flour, sugar, coffee and canned food. Some stores also sold fresh food such as fish and meat, but, at least in the cities, these products were normally confined to speciality shops. Many shops also stocked a wide selection of non-food merchandise, but again, the extent of this practise varied and whereas non-food sales in the cities were mostly sold in speciality outlets, shops in more rural areas were more often all-purpose shops.¹²⁵

The introduction of self-service radically altered this practice. The self-service technology had originated in the USA in the early twentieth century, and as it reached Europe by the early 1950s it had already been adopted by a majority of food retailers in the USA.¹²⁶ The major visual and operational transformation of the self-service system was the elimination of the counter separating the customers and the goods sold and the establishment of a checkout counter. The customer was free to walk around the shop to pick up whatever she wanted from the available assortment and payment would be made at the checkout. As a contemporary definition of the system stated: 'Self service might be summarised as "Personal selection and acquisition of all requirements from easily available stock, with one cash transaction only after all purchases have been made."'¹²⁷ The only actual process of selling conducted by the sales personnel in a self-service store, apart from the collection of payment at the checkout, was the displaying of the products in a practical and alluring manner: 'The self-service store has no selling staff, but requires a well-trained personnel for maintaining a good system of stock control, for replenishing the shelves and for checking and packing.'¹²⁸

¹²⁵ R. Lavik and R. Brusdal, *Varebandelens utvikling. Kjøp ute og hjemme* (Oslo: Universitetsforlaget, 1996), pp. 88-103; A. Seth and G. Randal, *The Grocers. The rise and rise of the supermarket chains* (London: Kogan page, 2001), pp. 1-2; J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), pp. 65-81.

¹²⁶ G. Shaw, L. Curt and A. Alexander, 'Selling Self-Service and the Supermarket: The Americanisation of Food retailing in Britain, 1945-60', *Business History*, 46:4 (2004).

¹²⁷ A. E. Hammond, *Self-service Trading* (Lockwood Press: London, 1949), p. 16.

¹²⁸ *Ibid.*

The introduction of self-service was not only a retail transformation. The system implied fundamental transformations in the whole process of manufacturing and distribution. In order to make it possible for the customers to actually serve themselves, the goods had to be weighed, counted, packed and priced beforehand. Early on in the transformation to self-service, pre-packaging remained the responsibility of the retailer. Typically, the retailer would pack and price the goods by hand before putting them on display in the shop. Gradually, however, the process of packaging was transferred to the food manufacturers, who were able to do the work more efficiently through the use of mechanised equipment. This transferring of responsibilities from the retailer onto the manufacturers was necessary to fully exploit the economies of the self-service system.¹²⁹ At the same time, as self-service became the preferred trading method for more and more retailers, manufacturers also gained a commercial interest in controlling the packaging process. As goods increasingly sold themselves, producers needed to mark off their products with distinct brands and distinct types of packaging. Hence, the self-service system spurred the development of product branding. The system also demanded a systematic restructuring of the system of distribution to secure a steady flow of goods and especially to obviate warehousing at the retail end.

What genuinely characterised the self-service system was thus that both the customer and the producer were given more active roles in the process of selling, and that the system of distribution providing the stores with goods had to be simplified and rationalised. As reported in an OECD analysis presented in 1960, the self-service system involved ‘transferring some of the functions previously performed by the retailer to his suppliers and others to his customers.’¹³⁰

The introduction of self-service in the UK

The opening of the self-service section in Romford in 1942 was an important first sign that the self-service technology was about to make its way into the European market. As early as 1936, representatives from the Co-operative Wholesale Society (CWS), together with Swedish co-operators, had visited the US specifically to inspect the developments in retailing.¹³¹ But no stores had been opened in the UK before the London society took the first step. In the period between June 1942 and May 1944 a total of seven self-service units were opened by the London society. In truth, these stores were primarily established as a means to overcome war-time staff shortages,

¹²⁹ K. H. Henksmeier, *The economic performance of self-service in Europe* (OECD: Paris, 1960).

¹³⁰ *Ibid.*, p. 12.

¹³¹ The following paragraph is based on F. Lambert ‘Self-service review’, *Agenda*, September (1954), 81-112.

and did not represent a full blown adoption of the self-service technology. The units did, however, soon prove to be a considerable economic success. They recorded higher than average sales increases, as well as improved productivity through higher sales per assistant and reduced wages cost per £ of sales. The stores were thus an important first demonstration of the possible advantages of the self-service technology.

Despite the positive experiences made by the London society, for some years yet the actual opening of new self-service stores remained limited. The prevalence of rationing and food shortages as well as lack of packaging materials and equipment – problems present both in the UK and Norway into the early 1950s – limited the immediate attractiveness of the technology. Building restrictions also hindered the spread of self-service. The possibilities of establishing new, purpose built self-service stores was limited and conversions had largely to be done by rebuilding existing premises. By 1947 there were hardly any self-service food stores in operation outside the United States and Canada.¹³² From then on, however, a rapid development started.

During the immediate post-war years several representatives of the co-operative movement had visited the United States to study the self-service technology first hand. Their experiences were gradually starting to spread to the movement in the form of conferences, pamphlets and articles in the co-operative press. In February 1947, a special trade conference was held by the Hants and Sussex district council of the UK consumer co-operative movement on the subject of self-service trading. Mr. Webber of the district council, 'who had visited America and Scandinavia', introduced the listeners to the possible advantages of the self-service system. A year later, in January 1948, a 'sixpenny pamphlet' on self-service, written by the then director of the Royal Arsenal Co-operative Society, John Corina, was published by the Co-operative Union.¹³³ The pamphlet was intended to give 'a factual account of self-service shops in the U.S.A ... the causes of their success and prospects for their development in Britain'.¹³⁴ Its conclusions were plain. According to Corina, self-service was 'inevitable ... because (a) The public prefer it; (b) It is more economic; and (c) It is a form of rationalisation which must be applied in the public interest to the chaotic retail trades'.¹³⁵

The spread of knowledge gradually started to materialise in the form of actual openings of self-served stores. Hence, in April or May 1948, the Portsea Island Mutual Co-operative opened

¹³² W. Applebaum, 'Developments in self-service food distribution abroad', *Journal of Farm Economics*, 38:2 (1956), 348-55.

¹³³ J. Corina, *Spotlight on self-service* (Manchester: Co-operative Union Ltd., 1948). At this point, Corina was also the chairman of the Co-operative Union.

¹³⁴ *Ibid.*, back page.

¹³⁵ *Ibid.*, p. 30.

the first true self-service shop in Britain, located at Albert Road in Southsea, Portsmouth.¹³⁶ In contrast to the units in London, this store was a full blown self-service unit operating on all the principle aspects of the technology. The success was immediate. By the end of the year the Portsea society had converted a total of 12 shops into self-service.¹³⁷ The stores recorded substantial increases in sales combined with reduced labour costs. In the autumn of 1948 it was reported that one of the recently opened stores had recorded a 45 per cent increase in sales.¹³⁸

The positive experience of the Portsea Society gave further inspiration to other societies and many more started to convert their stores to self-service. Important practical guidance was also provided when The Hants and Sussex District Council in 1949 issued a separate publication based on the experiences made at Portsea.¹³⁹ The booklet was entitled: *Conversion to self-service, A Practical Guide*, and comprised information on the 'physical aspects of planning shop interiors, fittings, use of shop machinery, baskets, trolleys and display shelves'.¹⁴⁰ It specifically focused on how to transfer existing counter serviced premises to self-service, while the planning of new shops was provided with less attention. In the view of *The Co-operative Review*, commenting on the publication in its 1949 February edition, this gave the booklet 'a readier acceptance' among other societies.¹⁴¹ Building restrictions, as well as the fact that most retail societies did not have the finances to plan and build new shops, implied that most societies had to rely on transforming existing outlets. The Portsea report was believed 'to set a pattern for any conversion, however difficult the shape of the present premises'.¹⁴² And truly, as one contemporary commentator noted: 'The opening of the Albert Road shop set a match to the fuse of co-operative self-service

¹³⁶ According to Lambert the opening was in April (F. Lambert 'Self-service review', *Agenda*, September (1954)). But, according to Jacques and Wilding, who had personally managed the Portsea store opening, it was in May (J. Jacques and H. G. Wilding, *Conversion to self-service. A practical guide* (Manchester: Co-operative Wholesale Society Ltd, 1949)). Already in February the official journal of the UK Co-operative Union, *The Co-operative Review*, reported that 'some self-service shops have been opened ... by British co-operative societies within the last few weeks.' This indicates that there were self-service stores in operation even before the Portsea store opening. It has, however, not been possible to detect what stores the *Review* was actually referring to here. As far as both the contemporary and the more recent sources state the Portsea outlet to be the first, these earlier stores were most likely self-service units similar to the ones opened by the London society during the war ('Spotlight on self-service', *The Co-operative Review*, 22:1 (1948), 19).

¹³⁷ 'Self-service guide', *The Co-operative Review*, 23:2 (1949), 31.

¹³⁸ 'Self-Service is inevitable. Some reasons for its success', *The Co-operative Review*, 22:6 (1948), 116-17.

¹³⁹ J. Jaques and H. G. Wilding, *Conversion to Self-Service. A Practical Guide* (Southampton: Hants and Sussex Co-operative District Council, 1949).

¹⁴⁰ 'Self-service guide', *The Co-operative Review*, 23:2 (1949), 31.

¹⁴¹ *Ibid.*

¹⁴² *Ibid.*

development.¹⁴³ Before the end of 1949 an approximate of four hundred self-service stores had been opened within the movement. A little more than a year later the figure was six hundred.¹⁴⁴

The advantages of self-service were by now also repeatedly reported in *The Co-operative Review*. Chief among the arguments presented to the readers was how the self-service technology offered prospects of radically increased labour productivity. By transferring the preparation and packaging of goods into the hands of the manufacturer and by delegating the actual process of picking the goods to be bought to the consumers, labour cost could be minimised. As had been expressed in a *Review* article as early as June 1948, it was 'generally accepted that the self-service system, properly applied, greatly reduces wage costs per £1 of sales.'¹⁴⁵ Another argument repeatedly propounded was how a transfer to self-service implied several advantages for the consumer. According to housewife Jean Howe, reporting in the *Review* in the summer of 1949, the 'chief advantage' of self-service was 'on the consumer's side'.¹⁴⁶ Howe particularly pointed to the possibility for the consumer to 'inspect goods closely and at her leisure and that a large number of customers can be served comparatively quickly'.¹⁴⁷ Also, the Portsea report had noted that self-service 'speeds up service' as 'customers can do their shopping in about one third of the time'.¹⁴⁸ The report had, however, also remarked how this was not only an advantage for the consumer. As the report went on to note, the increased speed of service; 'in addition to attracting new trade ... reduces the number of customers in the shop at any one time, relieves congestion at busy periods and increases the potential turnover in relation to floor space'.¹⁴⁹ Specifically, the report noted how the possibilities of bringing a much greater range of products to the notice of the consumer had the effect of increasing the total turnover, 'especially in those commodities which are available in variety, e.g. canned soups, and those which are sold in food stores but are often bought in other shops, e.g. toilet rolls, patent medicines, &c'.¹⁵⁰ Hence, the practical advantages for the consumer were paralleled with several obvious economic advantages for the organisation operating the store.

In short, the many advantages of the self-service technology were quickly acknowledged by central co-operative organs, and they were repeatedly reported in pamphlets, at conferences

¹⁴³ F. Lambert 'Self-service review', *Agenda*, September (1954), 89. A similar view was later expressed by A. Bonner, *British Co-operation. The History, Principles, and Organisation of the British Co-operative Movement* (Manchester: Co-operative Union Ltd, 1961), pp. 248-9.

¹⁴⁴ F. Lambert 'Self-service review', *Agenda*, September (1954), 90.

¹⁴⁵ 'Self-Service is inevitable. Some reasons for its success', *The Co-operative Review*, 22:6 (1948), 116.

¹⁴⁶ 'I Help Myself. A Housewife Looks at Self-Service', *The Co-operative Review*, 23:6 (1949), 123.

¹⁴⁷ *Ibid.*

¹⁴⁸ J. Jaques and H. G. Wilding, *Conversion to Self-Service. A Practical Guide* (Southampton: Hants and Sussex Co-operative District Council, 1949), 7.

¹⁴⁹ *Ibid.*

¹⁵⁰ *Ibid.*

and in the co-operative press. Together with the positive experiences actually made by societies who had transferred some stores to self-service, the arguments in favour of the new system were becoming more and more convincing. The effect was that retail societies started to convert their shops to self-service at an unprecedented rate. As we recall, by the end of 1949 approximately four hundred stores had been opened. And even if private traders had also started to view self-service with increasing interest, by 1950, 90 per cent of all self-service stores in the UK were run by co-operative societies.¹⁵¹ In truth, most of the large, private retailers had started to experiment with the system. In 1950 it was reported that companies such as Marks & Spencer, Lyons, Pearks, Liptons, Express Dairies and Tesco all had opened at least one self-service store.¹⁵² Apparently, Tesco had opened a self-service store at St.Albans as early as 1947.¹⁵³ But within a year the store had been reconverted to counter service, to be reopened again as self-service in 1949. At this point, it was still the only Tesco shop out of a total of 110 stores run on a self-service basis.¹⁵⁴ Hence, the clear impression, as expressed by a 1950-report on self-service trading from the British Market Research Bureau, was that when it came to self-service trading, ‘the Co-operative movement ... [had] a definite lead over other retailers.’¹⁵⁵

Self-service in Norway

Similar to the UK co-ops, the Norwegian co-operative movement took the lead in introducing self-service in Norway. And the pattern of expansion proved to have many similarities to the one seen in the UK. The first store was opened by the Oslo Co-operative Society in October 1947.¹⁵⁶ The opening had been directly inspired by developments in Sweden, where Europe’s first fully equipped self-service store had been opened in the spring of 1947.¹⁵⁷ Numerous enthusiastic reports on the development of self-service in the USA were also delivered in the co-operative

¹⁵¹ A. Bonner, *British Co-operation. The History, Principles, and Organisation of the British Co-operative Movement* (Manchester: Co-operative Union Ltd, 1961), p. 248. See also J. Corina, ‘Commentary on self-service in Britain’, *Review of International Co-operation*, 45:1 (1952), 9-10.

¹⁵² The British Market Research Bureau Limited, *Self Service in Great Britain. A study of the latest method of grocery retailing* (London: The British Market Research Bureau Limited, 1950), p. 12.

¹⁵³ D. Powell, *Counter revolution. The Tesco Story* (London: Grafton Books, 1991) pp. 66-9.

¹⁵⁴ *Ibid.*

¹⁵⁵ The British Market Research Bureau Limited, *Self Service in Great Britain. A study of the latest method of grocery retailing* (London: The British Market Research Bureau Limited, 1950), p. 12.

¹⁵⁶ For a full account, see J. C. Stavenes, *Smart forretning. Innføringen og utviklingen av selvbetjeningsystemet i dagligvarehandelen i Oslo, 1945-1960* (MA thesis, University of Oslo, 2007). Sc. Thesis,

¹⁵⁷ See H. Kylebäck, *Konsumentkooperation i strukturomvandling Del 1 1946-1960* (Kungälv: Minab/Gotab, 1983), pp. 94-5 and H. Kylebäck, *Varubandeln i Sverige under 1900-talet* (Göteborg: BAS, 2004), p. 147-54.

press, and most importantly in the journal *Forbrukeren*.¹⁵⁸ Gradually, more societies started to open self-service stores. And even if the commentators revealed several challenges that had to be overcome before the self-service system could be efficiently implemented in Norway, it was soon agreed that self-service had to be given the greatest attention in the future development of co-operative shops.

The arguments supporting such a conclusion were largely the same as the ones seen in the UK. It was believed that the new technology, properly applied, could induce both huge cost savings and increased sales. The advantages for the consumer in terms of time saving were also propounded.¹⁵⁹ In contrast to the UK development, however, the Norwegian co-ops were not alone in converting their shops to self-service. Private retailers were also soon to adopt the self-service model. Immediately after the first co-operative store had been established in Oslo, local shopkeeper, Peder Aas, opened the country's first privately owned self-service store at Skreia, a small rural community in the eastern part of the country.¹⁶⁰ And already by 1952, a majority of the established self-service stores were run by private traders.¹⁶¹ By 1957, less than forty per cent of all Norwegian self-service shops were run by co-operatives.

Still, even if the Norwegian co-ops no longer ran a majority of the self-service shops by the beginning of the 1950s, the pace of conversion was at least as high as seen among the British co-operators. As figure 2.1 reveals, in 1957 the share of co-op shops run on a self-service basis was in fact slightly higher in Norway than in the UK, being 22 per cent in Norway and 18.3 per cent in the UK.

¹⁵⁸ Some examples of articles include, H. Nilsson, 'Selvbetjening i amerikanske næringsmiddelforretninger', *Forbrukeren*, 2:2 (1947), 35-40; O.D. Koht Norbye, 'Glimt fra amerikansk detaljhandel', *Forbrukeren*, 3:5 (1948), 98-102.

¹⁵⁹ H. Nilsson, 'Selvbetjening i amerikanske næringsmiddelforretninger', *Forbrukeren*, 2:2 (1947), 35-40.

¹⁶⁰ Some sources state the year of the first opening to be 1949 (Å. Strand, *Dagligvarekjøpmennene og samfunnet 1958-1988* (Oslo: Norges Dagligvarehandels Forbund, 1988), p. 26). Røsrud, draws heavily on Strand, but provides more detailed information. He explicitly dates the first opening to 1947 (E. Røsrud, *Dagligvareforbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003), p. 15). This is also supported by Henksmeier's study of self-service in Europe. His figures are 'partly based on estimates', but reports that two self-service shops were established in Norway in 1948, (K. H. Henksmeier, *The economic performance of self-service in Europe* (OECD: Paris, 1960), p. 16).

¹⁶¹ E. Røsrud, *Dagligvareforbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003), p. 16.

Table 2.1: Self-service stores as a percentage of all stores by type of retailer, 1957¹⁶²

	Norway	UK
Consumer co-operatives	21,9	18,2
Multiple retailers and department stores	0	6,6
Independents	7,5	0,4
Off all outlets	10	2,6

Moreover, even if Norwegian co-operators were behind their private counterparts in the number of self-service stores operated, they outperformed them in the share of trade converted to self-service. By 1957, less than 8 per cent of the total number of privately owned stores had been transferred to self-service, as opposed to the 22 per cent transferred by the co-operators. And while the Norwegian co-ops controlled 36 percent of all self-service shops in 1957, the total co-operative market share was less than 20 per cent. More than reflecting that the Norwegian co-ops were lagging behind, these figures show that the conversion to self-service was comparatively fast both in private and co-operative trade in Norway. In 1957, Norway together with Sweden, had the highest density of self-service shops in Europe.¹⁶³ The two countries had also transferred the highest number of self-service stores relative to the total number of food stores. In 1957, 10 per cent of all Norwegian food shops had been converted into self-service, whereas the similar figure for the UK was less than 3 per cent.¹⁶⁴

The dominant position of the British and Norwegian co-ops in the early transformation to self-service reflected a general pattern seen in many western European countries. In Sweden, experiments in self-service trading had been carried out as early as in 1940, when a store operating on self-service lines had been opened by Ringen Co-operative Society at Motala in the central part of the country.¹⁶⁵ A year later the Stockholm Co-operative Society had opened a self-service store at Odengatan in Stockholm. Neither of these stores were, however, fully equipped self-service stores, and neither of them proved an immediate success. The store at Motala was reconverted to counter service within a year of its opening, and the Stockholm store from the very beginning struggled to sustain its trade. In the spring of 1947, however, the store at Odengata was completely refurbished and reopened as Sweden's first true self-service store.¹⁶⁶

¹⁶² Figures estimated from E. Røsrud, *Dagligvareforbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003) and K. H. Hensksmeier, *The economic performance of self-service in Europe* (OECD: Paris, 1960).

¹⁶³ Estimated as ratio of self-service shops to population, K. H. Hensksmeier, *The economic performance of self-service in Europe* (OECD: Paris, 1960), p. 18.

¹⁶⁴ *Ibid.*, p. 21. The figure for Sweden was approximately 13 per cent (as estimated by supplementing the figures from Hensksmeier with H. Kylebäck, *Varubandeln i Sverige under 1900-talet* (Göteborg: BAS, 2004), p. 164.

¹⁶⁵ H. Kylebäck, *Varubandeln i Sverige under 1900-talet* (Göteborg: BAS, 2004), p. 147-54.

¹⁶⁶ It should be noted that before the store at Odengatan was reopened, a modernised self-service store had been opened by the co-op movement at Järbo outside the town of Gävle. It is however the store at Odengata that has

This store soon proved the full potential of self-service food retailing. According to the retail analyst Edward Hammond, writing on the specificities and current development trends of self-service trading in 1949, the store at Odengatan was in fact 'the first fully equipped self-service store in Europe.'¹⁶⁷ Along similar lines Esbjerg Co-operative society opened Denmark's first self-service shop in 1949.¹⁶⁸ Co-operative societies were also first to introduce self-service in Germany (Produktion, 1949) and Austria (Linz, 1950).¹⁶⁹ And even if the co-operative movement in Europe taken together accounted for only 6 per cent of the total retail trade in 1955, it was estimated that about half of the existing self-service stores were operated by co-operative societies.¹⁷⁰

What is clear from this short presentation is that the co-operative movement in both Norway and the UK, together with their sister organisations around Western Europe, played an important role in introducing self-service as the preferred sales technology within the post-war food retailing business. Widespread local experimentation combined with direct influences from centrally coordinated studies of American retail practises, as well as extensive diffusion of knowledge between co-operative societies, both nationally and internationally, gave the co-operative organisations an early lead. The difference between the Norwegian and the British case is primarily that the private traders in the UK were somewhat slower to adapt to the new trading technology than their Norwegian counterparts, and that the UK co-ops remained leading for longer in terms of the number of shops run on a self-service basis. As it turned out, however, the early lead held by the UK co-operatives in introducing self-service camouflaged a systematic weakness in how the new stores were constructed and operated.

come to be regarded as the first self-service store in Sweden. See H. Kylebäck, *Konsumentkooperation i strukturomvandling Del 1 1946-1960* (Kungälv: Minab/Gotab, 1983), pp. 94-5; H. Kylebäck, *Varubandeln i Sverige under 1900-talet* (Göteborg: BAS, 2004), p. 147-54 and Centrum for Näringslivshistoria, *Den svenska handelns historia* (Bromma: Centrum for Näringslivshistoria 2006) (A DVD comprising more than 235 articles and 700 photos and videos on the history of Swedish trade).

¹⁶⁷ A. E. Hammond, *Self-service Trading* (Lockwood Press: London, 1949), p. 66.

¹⁶⁸ 'Danmarks første selvbetjeningsbutikk', *Forbrukeren*, 4:8 (1949), 166-8.

¹⁶⁹ For Austria, see G. Hauch, 'From Self-Help to Konzern: Consumer co-operatives in Austria, 1840-1990', in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman & Littlefield, 1999), pp. 191-219. For Germany, see J. Brazda, 'The Consumer Co-Operatives in Germany', in J. Brazda, and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International co-operative Alliance, 1989), pp. 140-226.

¹⁷⁰ W. Applebaum, 'Developments in self-service food distribution abroad', *Journal of Farm Economics*, 38:2 (1956), 348-55. Market share figures are estimated from J. B Jefferys and D. Knee, *Retailing in Europe. Present structure and future trends* (London: MacMillan, 1962), p. 65. The market share figures of the different countries have been weighed according to population to provide a more accurate picture of the total market share in Western Europe (typically, the shares were higher in the more scarcely populated Scandinavian countries and lower in countries such as Germany, Italy and France). Note that the figures are from 1960 and that they are estimates of total retailing market shares. The market share for food alone was probably somewhat higher. Accurate data is hard to come by, but based on estimates from a few selected countries they were probably around 12 per cent.

Divergent paths

When *The Co-operative Review* in 1957 reported on the latest figures of the research department of the Co-operative Union regarding the development of self-service in the UK, the attitude expressed was one of pre-eminence and condescension. The editor proudly ascertained that ‘a big majority of all the self-services in this country are co-operative stores’, and even if private traders were trying to catch up they were ‘still behind the co-operatives in the technique of retailing and are likely to stay so for years ahead.’¹⁷¹ The editorial concluded on a very optimistic tone, indicating that the lead now obtained in self-service trading would provide the co-operatives with a competitive advantage for years ahead:

As we hear loose statements in the general Press sometimes, about co-operative inefficiency or the lack of ideas in co-operative stores it is well that co-operators should remind themselves if need be of their superiority in the retail trades. They have pioneered once more the provision of services which their members require and are well ahead of their capitalist competitors. It may take a generation for capitalist retailer, large or small, to catch up with the present pre-eminence of the co-operative society.¹⁷²

There are many reasons to believe, however, that the *Review* editor at this point confused a quantitative lead in the introduction of self-service with a qualitative pre-eminence in retail trading. The economy of the self-service system was fundamentally connected with how the shops were constructed and run; most prominently the size of the shop, its attractiveness in terms of store fittings and stocks held and, consequently, the level of sales it managed to generate.

While the British co-ops had been quick to transfer their stores to self-service, the outlets had generally been small and in many instances unsuited to host an efficient and modern self-service business. They were, in the words of Norwegian co-operator Peder Fremstad, who had studied the early transfer to self-service trading within the UK movement, often “‘cheap” reconstructions’ which had yet to prove their economic viability.”¹⁷³ A similar characteristic was also provided by the manager of the CWS market research department, Fred Lambert, at an address held at the Co-operative College in September 1953. In his talk, Lambert warned the listeners that the ‘many co-operative conversions carried out some years ago were quite inadequate to present day trade requirements.’¹⁷⁴ In a larger report presented in the co-operative

¹⁷¹ ‘Pioneering Still’, *The Co-operative Review*, 31:9 (1957), 194.

¹⁷² ‘Pioneering Still’, *The Co-operative Review*, 31:9 (1957), 194.

¹⁷³ P. Fremstad, ‘Selvbetjeningsbutikker. Forsøk og erfaringer i Oslo’, *Forbrukeren*, 4:7 (1949), 146.

¹⁷⁴ The address was printed in the co-operative periodical *Agenda*, F. Lambert, ‘The nature of competition’, *Agenda*, December (1953), 61.

journal *Agenda* a year later, Lambert more specifically noted how the early co-operative store conversions had been ‘carried out at the minimum of expense’ and ‘run with a considerable measure of disregard of generally accepted principles’.¹⁷⁵ The immediate success the stores had experienced were, according to Lambert, largely the result of the ‘special and temporary advantage’ of competing ‘only with counter-service shops.’¹⁷⁶ As long as competition remained weak, the stores had managed to produce results which made the conversions well worth while. But, as Lambert warned, these conditions were now about to change. More and more private firms were turning their stores into self-service, and the established co-operative outlets were, as Lambert bluntly had expressed in his 1953 college talk, in danger of becoming ‘the slums of self-service’.¹⁷⁷ On these grounds, Lambert’s conclusions were clear: ‘I feel quite sure that unless there is, by some means or other, a revival of general co-operative interest in self-service we shall, *as a movement*, lose in the next five years much of the real lead we have established in the past five years.’¹⁷⁸ As it turned out, this was exactly what happened.

At the beginning of 1950 only fourteen self-service stores in the UK were reported to be operated by multiple retailers. As we recall, at this point co-operative societies operated no less than four hundred stores on self-service lines. Seven years later, the number of co-op stores had increased to two thousand, a growth of 400 per cent. At this point, however, the number of stores operated by multiples had increased more than 5,000 per cent, to eight hundred.¹⁷⁹ Another four years later, the multiples had close to regained the absolute lead originally held by co-operative societies in self-service trading, operating 3,200 self-service stores, as compared to the 3,370 now operated by co-operative societies. More importantly, the multiple self-served stores together recorded a total turnover almost 1.4 times higher than the stores operated by co-operative societies. Hence, while total turnover in multiple self-service stores was £ 246 million, it was £ 177 million in co-operative stores.¹⁸⁰ This reflected that the self-service stores operated by the co-ops were in general smaller than the ones operated by multiples. In fact, in 1961, figures from the Board of Trade’s Census of Distribution showed that while 77 per cent of all co-operative self-service trading was done in stores with sales less than £ 2,000 a week, only 45 per cent of the multiples’ self-service trading were done in such stores.¹⁸¹ Hence, even if the co-operative societies originally had reported a substantial rise in turnover when converting their

¹⁷⁵ F. Lambert ‘Self-service review’, *Agenda*, September (1954), 95.

¹⁷⁶ *Ibid.*

¹⁷⁷ F. Lambert, ‘The nature of competition’, *Agenda*, December (1953), 61.

¹⁷⁸ F. Lambert ‘Self-service review’, *Agenda*, September (1954), 112 (emphasis in original).

¹⁷⁹ Figures taken from J. M. Wood, ‘The challenge of the multiples’, *Agenda*, June (1959), 53-63.

¹⁸⁰ Figures taken from Co-operative Union Ltd., ‘Self-service trading, 1961’, *Trade Advisory Bulletin*, 12 (1964).

¹⁸¹ Figures from the census were reported in Co-operative Union Ltd., ‘Self-service trading, 1961’, *Trade Advisory Bulletin*, 12 (1964).

stores to self-service, the average weekly turnover remained below those of the multiples. The Census figures also revealed how co-operative self-service had problems reaping the alleged economic benefits of the self-service system. Productivity in terms of sales per square feet and sales per employee remained below those of the multiple retailers.¹⁸² Comparisons between self-service and counter serviced stores within the movement also showed that that the economic potential in the system was not satisfactory exploited. As a 1964 trade report from the Co-op Union concluded: 'co-operative self service stores show higher productivity than counter-service but the difference is smaller than it should be.'¹⁸³

Compared to their competitors, co-operative retailers had been quick to transfer their trade to self-service. But, the new stores largely failed to reap the full economic benefit of the system, and as the multiple retailers seriously started to open self-service units, the co-operative stores were not competitive. A closer look into one of the British movement's main competitors may illustrate the problems gradually occurring. By 1950 the then family owned Sainsbury's chain of stores had yet to open a self-service outlet. Ten years later years later the chain was by far UK's most efficient operator of self-serviced stores. The Sainsbury's chain had been established as early as in 1869, when John James Sainsbury and his wife Mary Ann Staples opened their first store at 173 Drury Lane, Holborn, London.¹⁸⁴ After four years of trading they opened a second shop, and from then on a steady expansion started. By 1937, Sainsbury's consisted of 248 branches, a large warehouse at Blackfriars London, and several production facilities producing the Sainsbury's own brand. Considering its level of vertical integration, its standardised retail outlets and centralised decision-making structure, Sainsbury's was already by the end of the Second World War a modern retailer comprising many of the characteristics that soon were to guide the organisation of the retail business as a whole.¹⁸⁵ It was, however, not until the summer of 1950 that Sainsbury's opened their first self-service outlet. An obvious reason for this slow start was the simple fact that it had been difficult to obtain the necessary licence to modernise existing shops or build new ones. It is also clear, however, that compared with the fast conversions of the co-operators, the development of self-service in Sainsbury's was generally

¹⁸² See Co-operative Union Ltd., 'Self-service trading, 1961', *Trade Advisory Bulletin*, 12 (1964). This was at least true for the larger stores. On average the difference was negligible, being £ 6244 per person in the co-ops as compared to £ 6239 for multiples. However, the higher productivity reported by co-ops in the smaller store segments was due to the high proportion of cigarettes and tobacco sold in these stores. These products could be sold at a very low labour cost. If these factors are taken into account, the conclusion that productivity in terms of sales per employ was generally lower in co-ops stores clearly also holds at a more general level.

¹⁸³ Co-operative Union Ltd., 'Self-service trading, 1961', *Trade Advisory Bulletin*, 12 (1964).

¹⁸⁴ This and the following three paragraphs are largely based on B. Williams, *The Best Butter in the World. A History of Sainsbury's* (London: Ebury Press, 1994).

¹⁸⁵ See chapter four for a more elaborate discussion of the organisational aspect of food retailing in the post-war period.

approached with a much stronger deference. The organisation spent more time analysing how the challenges of constructing economically viable self-service stores could best be met, and worked more systematically to ensure that the shops actually converted were capable of exploiting the full potential of the system. The result of this general attitude of thoroughness was clearly seen when the first Sainsbury's self-service store, after 'twelve months' research and development', finally opened at 9/11 London Road in Croydon.¹⁸⁶

With a floor space of more than 3,000 square feet, and incorporating numerous technical improvements, the Sainsbury's store at Croydon was probably the most modern self-service outlet ever seen in the UK. The entire store was equipped with fluorescent lighting. Acrylic glass was used to make canopies for counters, lighting covers and display equipment, such as bins for tea. In addition, and most importantly, the store contained refrigerated cabinets for the storage of frozen foods, as well as air cooled counters allowing for perishable foods such as fresh vegetables, fruit, and eggs to be kept fresh and chilled. These technological improvements made possible the sale of a much wider product range than had earlier been handled by one single shop. The opening impressed and startled co-operators. Commenting on the opening of the store in the November issue of the magazine, *The Producer*, co-operative market researcher Ernest Wilkinson warned that 'this self-service store may well be the first of a flight' and that 'if it is, a number of self-service co-operative shops will be out of date in the very near future'.¹⁸⁷ The economic potential of this unusually large and modern type of store was also underlined, when Wilkinson concluded that: 'this particular shop is certainly doing a weekly volume of trade greater than that of any grocery shop in this country.'¹⁸⁸

Despite the immediate success of the first store, the conversion to self-service in Sainsbury's continued to proceed at a slow pace. In contrast to many co-operative societies, the Sainsbury's management seemed reluctant to secure a fast transfer to self-service through the rebuilding of existing stores. Most of the existing premises were viewed as too old and too small to be suitable for self-service. And, rather than opening many stores at a fast rate, the Sainsbury's management sought to exploit the economic potential in concentrating trade in fewer, but larger shops.

In 1955 Sainsbury's opened a shop in Lewisham High Street measuring 7,500 square feet; to that date the largest self-service food store in Europe. The opening, and the development subsequently following it, illustrates clearly the Sainsbury's management's dedication to retail size

¹⁸⁶ B. Williams, *The Best Butter in the World. A History of Sainsbury's* (London: Ebury Press, 1994), p. 125.

¹⁸⁷ Cited in Bridget William, *The Best Butter in the World. A History of Sainsbury's*, London 1994: 129.

¹⁸⁸ *Ibid.*

rather than number of retail stores operated. In the years following the Lewisham opening, the number of shops run by Sainsbury's started to fall and in the period from 1960 to 1970 the overall number of branches was reduced from 256 to 225. In the same period however, total sales area increased from 95,000 square feet to 806,000 square feet. And even if Sainsbury's rate of conversion was slower than both the co-op's and other private retailers', both the size of the new stores and their turnover were well ahead. By 1958 the average Sainsbury's self-service store recorded sales per square feet more than three times those of the large co-operative stores.¹⁸⁹

If the UK co-ops had long had a leading role in transferring shops into self-service, the qualitative standard of the new shops, compared to those of the private sector, were not competitive. The Sainsbury's example is only one out of many. Increasingly, multiple competitors such as Tesco, Fine Fare and Victor Value started to challenge the position of the co-ops, both quantitatively and qualitatively. At the end of the 1950s the tendency was clear; the co-operative societies were seriously starting to lag behind their competitors in developing their self-served stores.

Turning to the Norwegian case, some interesting contrasts are revealed. Most importantly, Norwegian co-operators managed to hold on to their initial lead in self-service retailing. In absolute terms, private retailers soon passed the co-ops in the number of self-service stores operated. But the co-operative stores remained substantially larger than those of the private retailers. In 1954 the average turnover in co-operative food stores was more than twice that of the private retailers.¹⁹⁰ The co-ops also outperformed the private retailers in terms of the share of trade transferred to self-service. As we recall from a previous section, while 22 per cent of co-operative trade had been converted to self-service by 1957, less than 8 per cent of private trade were operated on self-service lines. How do we explain this comparatively strong position of the Norwegian co-ops in the development of the self-service system?

The first thing to note is how Norwegian private retailers, in sharp contrast to their British counterparts, continued to operate on a small scale basis. Due to legal restraints on the operation of several branches under centralised control, no multiple retailers had been established in the Norwegian market by 1950. Non co-operative retailing continued to be fully dominated by small, independent traders operating a single store. This situation prevailed also after the ban on

¹⁸⁹ Figures taken from B. Salmon, 'The "real" retailing revolution: the impact of self-service methods on food retailing in postwar Britain', Paper presented at the *Economic history society annual conference* (University of London 2-4 April 2004), p. 4.

¹⁹⁰ S. Halvorsen, 'De første resultatene fra bedriftstelingen 1953', *Forbrukeren*, 10:10 (1954), 239-41.

branches had been lifted in 1951.¹⁹¹ Moreover, and despite their comparatively quick response to the self-service development, private independent retailers continued to trade in very small stores. The self-service units opened were largely based on simple conversions of existing premises as few had the capital necessary to finance extensive rebuilding. As late as 1973, retail stores with less than one million NOK of yearly turnover, equivalent to a turnover of roughly £ 71,000, were still the major shop type in Norway.¹⁹² By comparison, in 1968, the average yearly turnover of a Sainsbury's store was £ 180,000.¹⁹³

The small scale nature of the private retail sector laid important grounds for a continued domination of the co-op movement in introducing and operating self-service stores. Indeed, the Norwegian private retailers seem to have experienced many of the same problems as the British co-ops did. But the weakness of the private retailers can not be regarded as the only reason for the co-ops comparative success. Most importantly, it is evident that Norwegian co-operators avoided many of the pitfalls that had hampered the UK movement when transferring their stores to self-service. First of all, while UK co-operators advocated fast and simple conversions of existing premises, the Norwegians generally seem to have been more sceptical of such hasty and simple adoptions of the system. As we recall, the manager of the Oslo co-operative society, Peder Fremstad, had warned against the "cheap" reconstructions' of the British co-operators.¹⁹⁴ Fremstad's basic view was that it was 'dangerous to do this [transfer trade to self-service] too simplistically'.¹⁹⁵ He generally warned against rebuilding existing counter serviced stores, as these were viewed too small and not suitable to host efficient self-service operations. His suggestion was that if a store was to be opened on self-service lines it needed to be at least between 1,000 and 1,600 square feet, and concluded that 'if a change is to be made, it has to be made completely'.¹⁹⁶

The attitude of Fremstad was indicative of the views held by other leading co-operative managers. Already two years earlier, Bjørn Theien of the Hamar society had warned against a too hasty transfer to self-service.¹⁹⁷ While recognising the obvious economic advantages to be gained by transferring trade to self-service, he advocated a 'gradual transfer' to the system, based on the

¹⁹¹ The reasons for this are discussed more thoroughly in section two of the thesis. See also J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), pp. 198-210 and E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006), p. 294-323.

¹⁹² By 1973, 70 per cent of all shops had a turnover of less than 1 million NOK (A. Strand, *Dagligvarekjøpmennene og samfunnet 1958-1988* (Oslo: Norges Dagligvarehandels Forbund, 1988), p. 25)

¹⁹³ B. Williams, *The Best Butter in the World. A History of Sainsbury's* (London: Ebury Press, 1994).

¹⁹⁴ P. Fremstad, 'Selvbetjeningsbutikker. Forsøk og erfaringer i Oslo', *Forbrukeren*, 4:7 (1949), 146.

¹⁹⁵ *Ibid.*

¹⁹⁶ *Ibid.*

¹⁹⁷ B. Teien, 'Selvbetjeningsbutikker i våre samvirkelag', *Forbrukeren*, 2:4-5 (1947), 103-4.

view that neither the consumers nor the existing system of packaging, distribution and merchandising had been developed to a level where it was capable of supporting the efficient operation of self-service stores.¹⁹⁸ Along similar lines, Ulrik Paasche, co-operative district accountant in Northern Trøndelag, in 1954 warned readers of *Forbrukeren* against the dangers of opening self-service stores without meticulous preliminary planning.¹⁹⁹ Location and store layout had to be carefully considered. It was also suggested that the staff should be given the possibility of working in already existing self-service stores in order to become ‘familiarised with the subtleties of the system.’²⁰⁰ Paasche further warned against any ‘attempt at reducing the cost of reconstruction by not investing in the most efficient equipment’ as there were ‘many examples showing that this may have unfortunate consequences for the future operations of the society.’²⁰¹ On these grounds, societies should avoid opening stores without first securing the necessary capital to finance a full conversion.

Clearly, many co-operative self-service stores were opened without adhering to these and similar recommendations. They experienced difficulties with sustaining their trade and were not operated efficiently. Still, the general impression seemed to be that the transfer to self-service within the Norwegian co-op movement, to a lesser degree than in the UK, was driven by the obligation to open as many stores as fast as possible. The advocated mark of success was not to hold a quantitative lead over the private retailers, at least not in absolute terms, but rather to open well furnished and efficient stores. Compared with the UK conversions, it seems that the stores opened were generally more often purpose built and more suited to reap the potential economies of the system.²⁰² The opening of the first self-service store in Tromsø in 1955 for example, coincided with the opening of a new, large headquarters for the city’s co-operative society.²⁰³ The store was large and purpose built, comprising a total sales area of 4300 square feet and stocking a broad range of products, including meat. In Oslo, the pioneering role taken by the city’s co-operative society in 1947 was followed by several new openings. Small, counter serviced outlets were closed down and stores specifically constructed to operate on self-service lines were established. When the new store at Keyserløkka, on the outskirts of the city centre was opened in

¹⁹⁸ *Ibid.*, 103

¹⁹⁹ U. Paasche, ‘Grundig planlegging av selvbetjeningsbutikken er ubetinget nødvendig’, *Forbrukeren*, 9:1 (1954), 5-9.

²⁰⁰ *Ibid.*

²⁰¹ *Ibid.*

²⁰² By 1953, 25 per cent of the self-service stores in operation were purpose built (C. Röhne, ‘Overgang til selvbetjening – en tilpasningsprosess’, *Forbrukeren* 10:7 (1955), 141-43 and C. Röhne, ‘Selvbetjening – et nødvendig ledd i handelens rasjonalisering’, *Forbrukeren*, 10:7 (1955), 166). Comparable figures for the UK have not been obtained, but all qualitative data indicates that the large majority of the early openings were in the form of conversions.

²⁰³ L. H. Hansen, *Fra landhandel til stormarked. Forbrukersamvirket NORDS historie* (Tromsø: Forbrukersamvirket NORD, 1996), pp. 68-9.

1951, it was characterised as a 'remarkable store ... comparable with the best seen abroad, perhaps even better at several points.'²⁰⁴

A consequence of these and similar factors seem to be that the first self-service stores opened by the Norwegian co-operative societies in general were both slightly larger and more efficient than those opened by UK co-ops. Even if comparable figures are hard to come by, the data that does exist clearly indicates such a pattern. Hence, a study of the existing self-service operations, made by the Norwegian Co-operative Association (NKL) in 1953, showed that the average size of co-operative self-service stores was 80 square metres or 860 square feet.²⁰⁵ The average UK co-operative grocery store in 1954 was estimated to have a selling space 'around 800 square feet or even less', and 'statistics collected ... do not suggest that the size of co-operative stores converted to self service is very much bigger than average.'²⁰⁶ More importantly, the Norwegian self-service stores seem to have traded on substantially higher productivity rates than the British. Hence, while the NKL study showed that average yearly sales per employee in co-operative self-service stores in 1953 was NOK 134,000 or the equivalent of £ 6,680, the similar figure in the UK, recorded in 1951, was £ 3,880.²⁰⁷ The indications available thus point in the direction that not only were the co-ops outperforming private retailers in terms of size and turnover. From early on, they also managed better than their UK sister organisation to more fully exploit the economic potential of the self-service system.

A further advantage held by the Norwegian co-operators was that the transfer to self-service, from being based on local initiatives, was gradually incorporated in a general, NKL led drive to modernise the totality of co-operative trade. The newly established Co-operative College, owned by the NKL, soon started to educate store consultants. These were employed as advisers by local retail societies across the country keen to transfer their trade to self-service. The college also held several courses for employees working in local retail societies. Similar functions were also taken on by the Co-operative College in the UK. But the sheer size of the UK movement as compared to the Norwegian reduced the ability of the British college to have a full-blown influence. Even more importantly, however, the NKL seem to have gained a readier acceptance from the retail societies that in order to serve the self-service stores efficiently, the system of distribution needed to be drastically rationalised. There was a particular need to simplify the ordering routines, to increase the rate of stock turn and reduce the need for warehousing at the retail end. To achieve these ends, a plan for how to centralise all wholesaling to regional, NKL

²⁰⁴ S. Dalen, 'Kooperasjonen leder utviklingen av norsk detaljhandel', *Forbrukeren*, 6:7 (1951), 150.

²⁰⁵ C. Röhne, 'Selvbetjening – et nødvendig ledd i handelens rasjonalisering', *Forbrukeren*, 10:7 (1955), 166.

²⁰⁶ F. Lambert, 'Self-service review', *Agenda*, September (1954), 90-4.

²⁰⁷ J.A. Hough and F. Lambert, *Self-Service Shops. A Joint Report* (Manchester: Co-operative Union Ltd., 1952), p. 3.

owned warehouses, was developed and set in motion. New ordering routines based on pre-arranged lists and less frequent deliveries were employed to serve the self-services stores more efficiently. While these were challenges to be faced both by British and Norwegian co-operators, the focus on the merchandising and distributional aspects of a self-service system seem to have been more pronounced in Norway than in the UK. While the UK retail societies largely interpreted the challenges of making the self-service form of trading work as a question of retailing efficiency, Norwegian co-operative entrepreneurs both at the retail and wholesale level treated the self-service form of retailing more as one out of many necessary steps to make the entire process of distribution more efficient.²⁰⁸

Conclusions

The transformation to self-service was among the first challenges facing the co-operative retail movements of the UK and Norway in the early post-war period. In both countries the co-ops served as innovators, opening the first self-service stores in their respective countries and leading the way in converting old counter service shops into self-service.

The transformation to self-service was soon, however, to mark the beginning of a process whereby the Norwegian and British consumer co-operatives developed along divergent paths. Put simply, in Norway, the introduction of self-service worked to strengthen the position of the co-operative societies in the country's food retailing business. In the UK, on the other hand, the self-service form of trading, despite the co-operative societies' innovative role, sparked off a process of decline in co-operative trading. The present chapter has described this development and discussed how it came about.

The analysis has focused on three main aspects. First of all, it has been argued that while the UK co-operative societies had been innovators in introducing self-service, they largely failed to exploit the economies inherent in the self-service system. The co-operative stores were generally too small. Based on cheap and simple reconstructions they also failed to attract the necessary custom. In 1950 co-operative retail societies controlled 90 per cent of self-service stores in the UK market. But as soon as the large private multiples started to open their highly modernised and purpose built self-serviced outlets, the co-op stores became outdated. In Norway by contrast, even if the speed of conversion to self-service soon surpassed that of the British, the co-operative openings seem generally to have been based on more meticulous planning and a

²⁰⁸ The organisational transformations taking place within the Norwegian and British co-operative movement in the post-war period is the main theme of section two in this thesis.

greater acknowledgement of the possible pitfalls in self-service conversion. While the UK co-operators largely based their openings directly on American ideals, and had little or no experiences of how the system would work within a European context, the Norwegians referred both to Swedish and British experiences, in addition to the American models, in their process of converting stores to self-service. As a consequence they managed from the outset to develop stores of a better quality and with a more stable competitive potential.

Secondly, it has been shown how the private retailers in the UK and Norway reacted very differently to the innovative steps taken by the co-ops. In Norway, private retailers were soon to convert their stores to the new system. But as these retailers were all independent, small scale enterprises, the finances necessary to make extensive conversions were not readily available. Private self-service stores thus generally came to rely on basic conversions of small premises with limited scope for drastic expansion of the existing trade. The co-op societies in contrast, opened larger, often purpose built stores, averaging a higher annual trade. The transformation to self-service within the Norwegian food retail market thus generally implied that the co-operative movement further strengthened its position vis-à-vis its private competitors. In the UK the situation was the exact opposite. Here it was the large private retail chains, such as Sainsbury's, Fine Fare and Tesco which managed to make full use of the cost savings available in the self-service system, while the co-ops lagged behind. Financially, the private multiples were superior both to their independent Norwegian counterparts and to the majority of the co-operative societies in Britain. At the same time, they also tended to focus more on the quality of the stores than on opening as many stores as quickly as possible. The co-ops on the other hand, in many cases due to limited financial resources, had to rely on basic conversions of existing stores. At the same time they advocated the value of fast conversion, and for a long time tended to judge their quantitative lead in self-service trading as a sign of superior trading skills. But this reasoning was false. Indeed, the basic and 'cheap' characteristic of the early conversions made by the British co-operators came to drastically hamper the store's long term competitiveness.

Finally, it has been shown how the conversion to self-service within the British movement was largely governed by local initiative and, as opposed to the Norwegian experience, not adequately coordinated. Self-service was not only a different way of selling. It also demanded a new system of distribution and merchandising. In Norway this responsibility was actively taken by the NKL, and it was by and large accepted by the local retail societies. While supporting the construction of self-service stores within the local retail societies, the national association also implemented important organisational reforms. The local retail societies for their part, gradually adopted the new system to provide for more efficient wholesaling, distribution and

merchandising. In the UK, by contrast, the transfer to self-service was primarily treated as a retail transformation and not thoroughly analysed in relation to the existing system of distribution and merchandising. On these grounds, the full economic potential of the self-service system became more difficult to exploit. The effect of this situation was to become even more pronounced, as the second main retail innovation of the post-war period, the supermarket, was starting to make its presence felt by the beginning of the 1960s.

Chapter 3: The supermarket

The introduction of self-service trading fundamentally transformed the face of food retailing. Existing grocery stores had to be totally rebuilt or replaced with completely new, purpose built self-serviced outlets. The role and working method of the shop-owner and his staff was fundamentally altered. And for the consumer the new selling technology implied a radical shift in how they went about their shopping. Despite the far-reaching consequences of the change, by the beginning of the 1960s it was recognized by most retailers and retailing experts that the self-service system was the future of food retailing.²⁰⁹ And by the 1970s the majority of food sales in most western European countries were done in self-service stores.²¹⁰ The self-service store of the 1970s was, however, very different from the self-service store of the early 1950s. Most importantly, the size of the store had been drastically enlarged and the range of stock held was broader than had originally been the case. As a consequence, the food store of the 1970s had largely replaced the wide range of specialist stores originally operating alongside the grocer, such as butchers, bakeries, tobacconists and greengrocers. This increasingly dominant and rapidly expanding type of food store was commonly known as the supermarket.

The development of the supermarket proved to be yet another challenge to co-operative trade. In both the UK and Norway co-operative societies struggled to adapt to the new and enlarged self-service format. With its broad product range the supermarket attracted trade by offering the convenience of one stop shopping. The stores were also offering the most modern and technologically advanced layouts, providing the customers with the feeling of luxury and dedicated service. The size of the supermarket operations also made it possible to reap substantial benefits from economies of scale. Hence the supermarket offered the possibility of both increased sales and reduced cost. Their establishment and efficient operation, however, also demanded substantial investments. They demanded skill in large scale retailing and they

²⁰⁹ In 1963 the chief of the marketing branch of the food and agriculture organisation of the UN, John C Abbot, noted in an article on the development of the food trades in western Europe that 'any doubts about self-service and acceptance of pre-packaged and other convenience foods which supposedly dominated food traders' ideas as late as 1957 have now been dispelled' (J. C. Abbot, 'Food marketing in Western Europe today', *Journal of Marketing*, April (1963), 17.

²¹⁰ This is true, even though the majority of food stores in many countries were still operated on counter service. Hence, in Norway in 1972, 65 per cent of all food stores were still operated on counter service, but these accounted for only 20 per cent of total food sales. The remaining 80 per cent were conducted in self-service stores (E. Røsrud, *Dagligvarefjundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003), p. 15).

demanding a system of distribution capable of supporting the large stores with a steady influx of products obtained at a competitive price.

While the transfer of trade to supermarkets promised the realisation of substantial economies, it also demanded substantial financial resources and operational skills. The major challenge was how to obtain and make use of such skills and resources. As it turned out, in the UK, the development of the supermarket became the definite process whereby multiple retailers caught up with, and passed the co-ops, as the leading operators of self-service food stores. Simply put, the British multiples were much more successful than the co-ops in transferring trade towards the larger and more efficient supermarket format. By the end of the 1960s, co-operative societies had lost substantial market shares, and the growth of supermarket retailing had thrown the movement into a serious economic and operational crisis. The situation in Norway was radically different. Here, the development of supermarket trading was approached much more evenly by private and co-operative trade. In fact, throughout the 1950s and 1960s the overall market position of the co-operatives was gradually strengthened, and the movement became the leading operator of supermarkets within the Norwegian food retailing sector.

This chapter explores this divergent development in more detail and discusses how it may be explained. Two main themes take centre stage. The first concerns the ability of the co-operative societies to transfer trade to supermarkets and take advantage of the economies inherent in the system. What were the co-operator's attitudes towards the new form of retailing represented by the supermarkets, to what degree did they manage to transfer trade towards the new and evidently more efficient format, and how were the stores operated? The second deals with the role of the private retailers in developing the supermarket format. How was the coming of the supermarket approached by these retailers and to what extent did their ability to take on and develop the new format challenge the position of co-operative food retailing?

The supermarket

As with self-service, the supermarket was an American invention.²¹¹ The rise of the supermarket as a distinct retail format was originally the outcome of American retailers who saw possibilities in establishing retail outlets in closed-down manufacturing plants. The basic idea was to create a shop stocking a large and broad range of products serving all basic household requirements. Earnings should be made through scale economies where price cuts and low profit margins were countered by a vast increase in daily turnover. The first supermarkets opened in the 1930s, and they soon proved to be a viable method of selling food to the consumer.²¹²

Immediately before and after the war, many West Europeans studying American retail practices visited American supermarkets. It was not only the total dominance of the self-service system that stunned the visitors, but also the size of the food stores and the range of products they were carrying. Norwegian co-operator, Ole David Koht Nordbye, reporting from a study trip to the US in *Forbrukeren* in 1947, gave much attention to the fact that American self-service stores were stocking 'all kinds of foodstuff'. The Americans were even 'selling fruit, groceries, meat, cheese, etc.!' in their stores. The visit convinced Nordbye that such "'all in one place"' stores were the solution for the housewife – as well as for society as a whole'.²¹³

Still, it was not until the mid 1950s and early 1960s that the term and trading practice of the supermarket started to become widespread knowledge in Western Europe, and that the differences in terms of economic potential between a store based on self-service and an actual supermarket were acknowledged. In the UK a monthly trade periodical named *Self-Service and Supermarket* was already being published in 1951. But, writing on the economics of the supermarket in the *The Economic Journal* in 1962, retail analyst W. G. McClelland recorded that: 'while self-service began to spread rapidly from 1947 onwards, supermarkets had to wait until the end of rationing and the lifting of building restrictions in 1954, and even then a year or two went

²¹¹ On supermarkets in general, see J. M. Mayo, *The American Grocery Store: The Business Evolution of an Architectural Space* (Connecticut: Greenwood Press, 1993).

²¹² Exactly what store is to be regarded as the first supermarket is not quite clear. Neil Wrigley and Michelle Lowe mention both the King Kullen store at Long Island, opening in 1930, the Big Bear store in Elizabeth New Jersey, opening in 1932, and 'similar stores in Los Angeles dating from the 1920s' to be 'early versions of ... supermarkets' (N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), p. 73. Rachel Bowlby holds that the very first supermarket to be operated probably was the *Big Bear* store opened in 1932 'in the abandoned plant of the Durant Motor Car Company in Elizabeth, N.J.' (M. M. Zimmerman, *Super Market: Spectacular Exponent of Mass Distribution* (New York: Super Market Publishing Co., 1937), p. v, cited in R. Bowlby, *Carried Away: The Invention of Modern Shopping* (London: Faber and Faber, 2000), p. 135.). In any case, all of these stores operated on trading practises that were soon to be headed supermarket. None of them were, however, called supermarkets. The expression 'super market' was first used by William Albers who founded Albers Super Markets, Inc in Cincinnati in 1933, see R. Bowlby, *Carried Away: The Invention of Modern Shopping* (London: Faber and Faber, 2000), p. 138.

²¹³ O. D. Norbye, 'Glimt fra amerikansk detaljhandel', *Forbrukeren*, 3:5 (1948), 98-102.

by as operators took their bearings and plans matured.²¹⁴ By 1957, however, a separate annual directory on supermarkets was provided from the *Self-Service and Supermarket* periodical. According to McClelland there were at this point at least 80 supermarkets in the UK.

As the annual supermarket directory started to record the statistical development of supermarket stores, a precise definition was necessary. The first generally accepted definition was presented in the 1961-62 directory. It read as follows:

A supermarket is a store of no less than 2 000 sq.ft. sales area, with three or more checkouts and operated mainly on self-service, whose range of merchandise comprises all food groups, including fresh meat and fresh fruit and vegetable, plus basic household requisites (i.e., soaps and cleaning materials)²¹⁵

As is clear from this definition, supermarkets were largely demarcated from general self-service stores by their larger size and the broader range of products offered in one store.²¹⁶ Many of the early self-service outlets had not widened the range of goods sold, and in the early years of transformation to self-service, speciality shops remained important providers of fresh food such as meat and fish. With the coming of the supermarket this situation changed. In contrast to the early self-service grocery stores, the supermarket developed on the principle of one-stop-shopping. The idea was to create a store where the consumer could stock up on all basic household requirements, leaving behind the years when one had to share the daily purchases between several different speciality shops.

The development of the supermarket was highly dependent on the introduction of technological innovations such as refrigerated display counters and new systems of hygienic pre-packing.²¹⁷ These were essential prerequisites for storing, displaying and ultimately selling a much wider variety of products. Fresh food especially could now more easily be handled than by the traditional grocer. The supermarket also began to offer several non-food items such as soap, cleaning materials and other requisites regularly used in the household. The result was that the range of goods sold through the supermarket rose dramatically. As an illustration, the number of merchandise handled by the private Norwegian wholesaler Joh. Johansson rose from 1,740 in 1960 to 5,700 in 1988. In the period from 1960 to 1973 alone, the consumption of frozen food

²¹⁴ W. G. McClelland, 'Economics of the Supermarket', *The Economic Journal*, 72:285 (1962), 156.

²¹⁵ Quoted in *Ibid.*, 154.

²¹⁶ The most often referred to Norwegian definition operated with a minimum floor space of 300 square meters or roughly 3,200 square feet (see e.g. O. Fagereng, 'Hva er et varehus?', *Forbrukeren*, 21:5 (1966), pp. 107-9).

²¹⁷ E. Røsrud, *Dagligvareforbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003).

grew fivefold, from 2 kg to 9.5 kg.²¹⁸ Roughly 70 per cent of these products were distributed through food retailers.²¹⁹

The supermarket and the UK co-operatives

In a 1964 publication from the British Co-operative Union one could read the following introductory statements:

Dynamic and momentous changes are taking place in the British economy and these are playing their part in retail distribution. In no field of distribution is the change more dramatic than in that of food retailing [...] There have in fact been two successive major changes since 1945. The first was the massive introduction of self-service into grocery shops [...] The second major change in retailing arose from the realisation that really large shops operating on self-service and offering a full range of food could make even better reductions in the cost of distribution [...] These 'supermarkets' are based on the principle of combining various food trades together and operating wholly or largely on self-service.²²⁰

The statements are excerpts from a trading guide on supermarket retailing, 'compiled by a Specialist Working party to assist Co-operative societies in establishing and operating a Supermarket'.²²¹ At the time of its publication, supermarkets had become the leading edge of British food retailing. A growing concern was evolving among the co-operators, however, that the movement was lagging behind its competitors in developing this new form of retail trading.

As with self-service, the UK co-operatives had been early innovators of the supermarket. In 1953 co-ops were running 66 per cent of all shops fitting the supermarket definition.²²² But, again similar to the self-service experience, this early lead in the number of stores operated was soon put under pressure. Hence, by 1960, private retailers had passed the co-ops in the number of stores operated, controlling 62 per cent of all supermarkets in the UK.²²³ More importantly, the supermarkets operated by the multiples tended to record higher average sales. On a general basis, they also traded more efficiently than the co-op stores. It soon turned out that the early co-operative lead in supermarket trading had camouflaged systematic weaknesses in how the stores were operated and run. By the end of the 1960s it was clear that growth of supermarket retailing

²¹⁸ Equal to 4.4 and 19.8 lb.

²¹⁹ All figures from A. Strand, *Dagligvarekjøpmennene og samfunnet 1958-1988* (Oslo: Norges Dagligvarehandels Forbund, 1988), pp. 33-4.

²²⁰ Co-operative Union Ltd, *Supermarkets. A trade guide* (Manchester: Co-operative Union Ltd, 1964), p. 6.

²²¹ *Ibid.*, p. 1.

²²² G. Shaw, L. Curt and A. Alexander, 'Selling Self-Service and the Supermarket: The Americanisation of Food retailing in Britain, 1945-60', *Business History*, 46:4 (2004), 574.

²²³ *Ibid.*

had drastically weakened the competitiveness of the co-operative retailers. At the same time it had marked a breakthrough for the multiple retailers.

Why did the transfer to supermarket retailing prove so difficult for the British co-operative retailers? The reasons are many. First of all, it is evident that the early lead held by co-operators in the number of supermarkets operated, did not reflect a deep-rooted acknowledgement of the economic advantages and possibilities of this type of retailing. Rather, it was mainly the result of some retail societies being comparatively fast in transferring their shops to self-service, combined with the fact that the co-op's stores originally had a surface area larger than private retailers.²²⁴ Several of the stores converted to self-service in the early and mid 1950s were simply operating a total floor space exceeding the demanded 2,000 square feet. And to the extent that these stores also stocked the necessary breadth of both food and non-food merchandise they had been defined as supermarkets. Hence, the early lead in supermarket trading was, as one contemporary commentator noted, largely 'a by-product of the early and long-held Co-operative lead in the conversion of existing shops to self-service'.²²⁵

As late as in the mid-1950s only limited recognition of the future importance of supermarket trading existed within the co-op movement. Indeed, the opening in 1954 of two large supermarkets by the Nottingham Society, one with a main selling area of more than 5,500 square feet, the other with nearly 4,000, was considered 'quite exceptional' and did not reflect a broader co-operative strategy of transferring trade to larger formats.²²⁶ Rather, as the market research manager of the Co-operative Wholesale Society (CWS), Fred Lambert remarked, it was believed that 'competition over the next few years will be mainly from converted multiple-owned shops similar in size to those at present operating on the self-service principle'.²²⁷ Hence, despite the fact that co-operative societies at this point were operating the majority of large supermarkets in the UK, influential co-operators were reluctant to accept that the supermarket format was in fact the future of British food retailing.

A second decisive problem was related to the developments among the co-op's main competitors. While the co-op movement reacted with hesitation to the future prospects of supermarket retailing, multiple retailers such as Sainsbury's, Victor Value and Finefare embarked on heavy investment programs from the mid-1950s onwards, and dramatically increased the average size of their shops. In the period from 1956 to the end of 1960 alone, Finefare, a

²²⁴ According to Lambert, 'the typical co-operative grocery shop' operating in the beginning of the 1950s was 'much bigger than the typical shops of other multiple and private traders' (F. Lambert 'Self-service review', *Agenda*, September (1954), 94).

²²⁵ W. G. McClelland, 'Economics of the Supermarket', *The Economic Journal*, 72: 285 (1962), 157.

²²⁶ F. Lambert 'Self-service review', *Agenda*, September (1954), 94.

²²⁷ *Ibid.*

completely new chain of food stores owned and operated by the Weston group, established no less than forty-three supermarkets.²²⁸ A year later the company had added twenty-nine more to reach a total of seventy-two. The Weston group operated another 46 supermarkets under the names of Coopers, Burtons and L. & N, and together the group controlled one fifth of all supermarkets in the UK by mid-1961.²²⁹ Along similar lines the Sainsbury's chain also started to radically expand the average size of their stores from the mid-1950s.²³⁰ In the sixty year period from 1890 to 1950 the average sales area of new stores opened by the chain had been doubled, from 1,000 square feet to 2,000 square feet. In the following ten year period, the average size was tripled, and by 1965 the average sales area of a new Sainsbury's store had reached 6,700 square feet.²³¹

These drastic expansions among the private multiples seriously challenged the market position of the British co-ops. The new stores dramatically outperformed the many smaller, local co-op stores still in operation. A special report on *The present competitive situation in the grocery trade*, published by the CWS at the end of 1960, gave ample evidence of the problems confronting the co-ops. As an example, the report noted how a retail society in a North Midlands town from one year to the next lost 12 per cent of its trade in an expanding market, the ultimate cause being the opening of two supermarkets, doing 'nearly as much grocery trade as the local society does in the entire Borough'.²³² Along similar lines, a private supermarket established in a Lancashire town was believed to do a weekly trade of £ 5-7,000 only a couple of weeks after its opening. This was believed to be 'at least equal to the whole of the local society's trade from 20 shops'.²³³

By the early 1960s it was thus evident that the development of supermarket retailing was fundamentally challenging the market position of the co-ops. The expansion of the multiples outperformed the local co-op stores and the initial quantitative lead held by the movement in supermarket trading was lost. The problems experienced by the co-ops were, however, not only related to the limited number of large stores opened, or to the radical expansion of the multiples. It gradually turned out that the co-op supermarkets that had been opened were also hampered by a series of shortcomings. An evaluation made by the Co-operative Union's Food Trades

²²⁸ This according to Co-operative Wholesale Society, *The present competitive situation in the grocery trade* (Manchester: Co-operative Wholesale Society, 1960), p. 3.

²²⁹ As reported by W. G McClelland, 'Economics of the Supermarket', *The Economic Journal*, 72: 285 (1962), 157.

²³⁰ As we recall from the previous chapter, the very first self-service store opened by Sainsbury's operated a sales area of more than 3,000 square feet. In terms of size it qualified as a supermarket. But the first Sainsbury's self-service stores normally traded exclusively in food and initially they were therefore not registered as supermarkets, see W. G. McClelland, 'Economics of the Supermarket', *The Economic Journal*, 72:285 (1962), 154-70.

²³¹ All figures from B. Williams, *The Best Butter in the World. A History of Sainsbury's* (London: Ebury Press, 1994), p. 219.

²³² *Ibid.*, p. 4.

²³³ *Ibid.* (emphasis in original).

Department in 1960 showed how most of the existing co-operative supermarkets were actually not run as supermarkets in the strictest sense.²³⁴ In many shops, space was excessive viewed in relation to the sales it managed to generate, and the average rate of stock turn was generally viewed to be unsatisfactory. The actual range of products held in most large co-op stores also continued to resemble more the old grocery store than a modern, full range self-service supermarket. A further problem was related to how the co-op supermarkets generally failed to operate on the aggressive price and merchandise policies characteristic of private supermarkets. Quite to the contrary, as the Food Trades Department's report stated, 'Co-operative supermarkets ... normally trade on the basis of the general price policy of the society operating them and thus co-operative societies in the main have not used the price weapon to attract trade into the larger units'²³⁵ The ultimate effect was that the multiples outperformed the co-ops in terms of average sales per food store. In 1957 co-operative shops were still averaging higher annual sales than the multiples. As table 3.1 reveals however, by 1961 the multiples had overtaken the co-ops, and from then on the differences rose dramatically

Table 3.1: Annual average sales per food store (£), 1957-1971

	1957	1961	1966	1971
Co-operatives	30618	31116	35517	68506
Multiples	26100	32425	50398	93626

The failure of the co-ops to increase the level of sales per square foot was detrimental. The whole basis of the supermarket economy was to create increased surplus, not by way of ample margins, but by way of increased sales created by a cut in prices. Most co-operative societies were, however, reluctant to cut prices. It was a widely held view among British co-operators that the lower margins of supermarket trading would reduce the possibilities of earning the trading surplus necessary to pay a dividend. As co-operative researcher Joshua Bamfield has argued, 'Co-operatives were particularly anxious to reduce the dividend: this was not only the major inducement to trade for most members, but was seen by co-operatives as their prime claim to a

²³⁴ The report was presented at the Co-operative Congress in 1960, see Co-operative Union Ltd, *Report of the 91st Annual Co-operative Congress in the Winter Gardens Blackpool June 6th - 9th 1960* (Manchester: Co-operative Union Ltd., 1960).

²³⁵ Co-operative Union Ltd, *Report of the 91st Annual Co-operative Congress in the Winter Gardens Blackpool June 6th - 9th 1960* (Manchester: Co-operative Union Ltd., 1960), p. 44. See also H.L. Jennings, 'Rapid development of supermarkets', *The Co-operative Review* 35:3 (1961), 81.

consumer-oriented distinctiveness.²³⁶ On these ground many societies decided against a lowering of the prices.

The running of the co-operative supermarkets was thus hampered by a series of shortcomings, fundamentally limiting their competitive potential. Met by aggressive private multiples these failures further added to the decline now about to seriously mark the development of the co-operative food retail trades. As was stated by the chairman of the newly established Grocery and Provisions Trade Association, J. C. Grace, in his report to the 1961 Co-operative Congress, the co-ops had 'by and large [...] not managed to adapt fast enough to the ongoing "dynamic evolutionary change" in the food trades.'²³⁷ In the view of Grace and his associates too many shops were still too small, investments in supermarkets had been too slow, sales and price policy were in need of a drastic review, and the merchandising methods were characterised as no less than 'pathetic'.²³⁸

The process of transferring trade to the supermarket format was thus also hampered by a general failure among the co-operators to fully exploit the economies of the system. Not only did they fail to transfer enough stores to the supermarket format, the stores that were transferred did not manage to realise the full economic advantages of the system. Alongside the parallel and drastic expansion of the multiples, these problems made the transfer of trade to the supermarket format a challenging task for the British co-operators. A fourth more general factor also played a major role. It was related to how the movement on a general basis was hampered by a conservative culture and a general reluctance to accept that the traditional co-operative small-store was becoming less and less attractive.

As late as in the early 1960s a noticeable resentment towards large-scale supermarkets remained among many co-operators. Many co-operators simply refused to accept that the small, local retailing formats had to be replaced by large scale supermarkets. Debating at length the 1961 report by the Grocery and Provisions Trade Association, several of the representatives speaking from the podium spoke explicitly against a fast transfer to supermarkets, warning about what they saw as an 'epidemic of supermarket hypnosis'.²³⁹ The reasons for the representatives' scepticism were numerous. Some were critical of the conclusion that supermarkets would dominate future food trading. Mr. Baily of the Midland Sectional Board for example, argued that the popularity of the supermarkets among the consumer should not be expected to last. As he

²³⁶ J. Bamfield, 'Rationalization and the Problems of Re-positioning: UK Co-operatives Caught in the Middle, in Gerry Johnson (ed.), *Business Strategy and Retailing* (Chichester: John Wiley & Sons, 1987), p. 159.

²³⁷ Co-operative Union Ltd, *Report of the 92nd Annual Co-operative Congress in the Spa Grand Hall Scarborough May 22nd-25th, 1961*, (Manchester: Co-operative Union Ltd., 1961), p. 320.

²³⁸ *Ibid.*

²³⁹ *Ibid.*, p. 322.

remarked: 'They [the consumers] go there the first six weeks or so, but sooner or later they feel that dragging the groceries home a mile-and-a-half from the High Street is not so satisfactory as walking 200 yards and getting the goods in our shops as cheaply as they can get them in the supermarkets, and in addition receiving a dividend on all purchases.'²⁴⁰ Others held a more general scepticism towards the very prospect of developing large scale supermarket trading within the co-operative movement. According to Mr Elias of the North Sectional Board large-scale retailing simply went against the very ideal of co-operative trading:

I am one of those who do not want to see the development of the Co-operative Movement along the lines of big business without a soul. We have to remember that the Co-operative Movement for a generation or more has had a soul and has had some regard for its customers. We do not want a situation in which people simply come in and collect their goods and then we forget all about them.²⁴¹

Such attitudes slowed down the co-op movement's general response to the supermarket revolution. The many deep-rooted resentments towards the supermarket as a new form of food retailing also hampered the operational efficiency of the supermarkets that actually did open. The ultimate consequence was that the co-operative societies fell behind their private competitors in the transfer of trade to larger, more efficient units.

The supermarket challenge continued to trouble Co-operative Union representatives throughout the 1960s. In the winter of 1968 a separate *Trade Advisory Bulletin* on Co-operative supermarkets was issued by the Co-operative Union.²⁴² A separate co-operative conference on successful 'supermarketing' was also held in London during October the same year. The nature of the problem was made apparent by the fact that out of a total of 539 societies in operation at the time, only 82 attended the conference. At this point, less than a quarter of all societies were actually operating supermarkets, while among the stores in operation, 'a number [...] [operated] below normal standards of commercial success.'²⁴³ Thus the problems of the late 1950s and early 1960s were still present in full by the end of the decade. In the words of Bamfield:

The supermarkets were run like corner shops – even as late as 1968, 73 % of Co-op supermarkets had the same price structure as corner shops, would make up orders and provide a delivery service. Self-service/supermarkets were seen by Co-operatives as modern shop layouts rather than methods of capitalizing on the (hitherto slight) economies of shop size, and so lowering percentage personnel

²⁴⁰ *Ibid.*, p. 324.

²⁴¹ *Ibid.*

²⁴² Co-operative Union Ltd., 'Co-operative supermarkets 1967', *Trade Advisory Bulletin*, 38 (1968).

²⁴³ Co-operative Union Ltd, *Report of the 100th Annual Co-operative Congress in the Winter Gardens Blackpool May 26th-28th, 1969* (Manchester: Co-operative Union Ltd., 1969), p. 52.

cost by using new promotional and price cutting techniques to boost volume sales.²⁴⁴

The challenge of transferring trade to the supermarket format was unsuccessfully approached by the British co-operators. Despite an early lead in the number of supermarkets operated, the movement soon lagged behind its competitors. The ultimate consequence of this development was that the decline in co-operative market share starting in the mid-1950s continued also into the 1960s. By the end of the decade the movement controlled approximately 12.5 percent of the food retail market. This implied that the share of trade controlled by co-operative retailers had been reduced by almost forty per cent since 1955.²⁴⁵ The failure to adapt to the coming of supermarket retailing played an important role in this market decline. The importance of this factor becomes even clearer when looking closer at how the challenge of supermarket trading was approached by Norwegian co-operators. In Norway it was the co-ops who played the main role in introducing supermarket retailing. As a consequence, throughout the late 1950s and 1960s the movement gradually strengthened its market position within the Norwegian food retail market.

The supermarket in Norway

As in the UK, supermarket trading in Norway seriously started to make its presence felt from the mid-1950s onwards. Similar to the UK experience, the co-operative societies in Norway made the initial inroads into supermarket retailing even before the term and the operational practises of the format had been fully recognised. The major difference between the two countries is how the Norwegian co-op movement managed to hold on to its initial lead, and similar to the self-service experience came to dominate the transformation to supermarket retailing within the Norwegian market. The co-op enthusiastically advocated the transfer of trade to larger units and managed to find the financial resources and operational skills necessary to develop efficient and competitive stores.

As we recall from the previous chapter, the small shop dominated the Norwegian food retail sector throughout the 1950s. We also recall how the co-op stores by the mid-1950s were

²⁴⁴J. Bamfield, 'Rationalization and the Problems of Re-positioning: UK Co-operatives Caught in the Middle, in Gerry Johnson (ed.), *Business Strategy and Retailing* (Chichester: John Wiley & Sons, 1987), p. 159.

²⁴⁵ As presented in the previous chapter, in 1955 the market share of the British consumer co-ops within the food trades was approximately 20 per cent. Again, figures are taken from Co-operative Union Statistics as presented in L. Sparks, 'Consumer co-operation in the United Kingdom 1945-1993: Review – and prospects, *Journal of Co-operative Studies*, 79 (1994), 25.

well ahead of their private competitors in terms of their reported average yearly turnover.²⁴⁶ The co-ops had transferred a large proportion of their trade to self-service and the co-operative stores were larger than the stores operated by the private shopkeepers. The development of the supermarket throughout the 1960s did not alter this general picture.

In 1960 Oslo Co-operative Society opened two supermarkets in the new and growing suburbs of Bøler and Lambertseter outside Oslo.²⁴⁷ A year later the society opened another large store at Oppsal. According to the annual report of the society, these new stores were of a size and offered a range of stock 'as yet unheard of in Norway.'²⁴⁸ Throughout the 1960s many new stores of a similar size and stock range were opened. Typically, these stores would be constructed as department stores offering a broad range of products, but with a large, adjoining food section run as a separate supermarket. The stores were primarily situated in the many new suburbs established around the city of Oslo. Alongside the expansions into supermarket retailing, the society also closed down many of its smaller inner city stores. The ultimate goal was to increase the average size of the society's trading units. As the governing board of the society stated in 1963:

[the] process of transformation towards larger units taking place in many fields of society, are becoming more and more pronounced also within our own organisation. The small branches are replaced by larger, well equipped units, with modern store fittings and a broad product range. Many projects of this type will be carried through in the years to come.²⁴⁹

Similar transformations were also carried out among retail societies in other parts of the country. In the early 1960s large co-operative supermarkets were opened in most cities and towns, as well as in the major rural district centres. A few examples may illustrate the point.

By the 1950s, the local retail society of the northern town of Harstad operated a single outlet in the city centre.²⁵⁰ It employed six people, including the manager. The store was completely run down. According to the society's historian it was among the most old-fashioned stores in the city. There was no hot water and 'the walls were insulated with newspapers from the 1880s.' The society did, however, own the property next door. And after some consideration the governing board of the society decided to tear down the existing premises and build a

²⁴⁶ See chapter 2 in the present thesis

²⁴⁷ H. Korsell, *100 år med samvirke i hovedstaden* (Sarpsborg: Forbrukersamvirket ØST, 1994), p. 135

²⁴⁸ Oslo Co-operative Society, *Annual Report 1961*, cited in H. Korsell, *100 år med samvirke i hovedstaden* (Sarpsborg: Forbrukersamvirket ØST, 1994), p. 136.

²⁴⁹ Cited in H. Korsell, *100 år med samvirke i hovedstaden* (Sarpsborg: Forbrukersamvirket ØST, 1994), p. 137.

²⁵⁰ The following paragraph is based on L. J. Olsen and H. Halsebo, 'Harstad Samvirkelag', in L.-H. Hansen, *Fra landbandel til stormarked. Forbrukersamvirket Nords historie* (Tromsø: Forbrukersamvirket Nord, 1996), pp. 199-201.

completely new and larger store. By 1964 a new and modern four story building had been constructed. It hosted a large supermarket on the ground floor. In the basement a consumer electronics department as well as a sports department had been established, the first floor hosted a shoe and clothing department while the second floor hosted a modern cafeteria. The remaining space was used for offices and storehouses.

In Haugesund, a town situated on the south-western coast of the country, the coming of supermarket trading was to become the definitive point of breakthrough for the town's co-operative retail society.²⁵¹ A major reason was the introduction of supermarket retailing. In 1952 the town's two co-operative societies merged. In 1959, after some initial years of struggling, the new society managed to open a completely new supermarket. The store had been fully financed by local members' capital, and it facilitated a massive turnaround in the society's fortunes. In 1960 the society could report an increase in turnover of NOK 130,000, equal to £ 6,500. This implied an increase of 28 per cent. The rise had, as stated by the society's local historian, been obtained 'without any registered growth in costs'.²⁵² Such a positive development soon spurred increased member trust. Between 1962 and 1963 alone members' share capital was doubled. The savings helped finance the opening of yet another supermarket in 1964. In its first eleven months of trading the new store alone recorded twice the turnover than the society had produced in total only five years earlier. Positive developments continued throughout the decade: existing stores were enlarged and rebuilt, and new, larger stores were opened. A positive spiral of rising turnover figures, increased member savings and a steady opening and rebuilding of large stores turned the society into one of the major businesses in the town of Haugesund. In the course of the 1960s alone, turnover rose from NOK 600,000 to NOK 19 million.²⁵³ In real terms, this implied a growth of 2,500 per cent.²⁵⁴

Similar stories were repeated in many towns and rural districts across the country. The many openings reflect the positive attitudes that generally seem to have characterised leading representatives of Norwegian retail co-operatives towards self-service and supermarket trading. In society after society, old, small and run down premises were substituted with modern outlets, most often new and purpose built. Hence, while British co-operators continued to express reluctance towards the new retail formats, the Norwegians embraced it and employed it as a

²⁵¹ The following paragraph is based on G. Roaldkvam, *Vårt eget eventyr. Forbrukersamvirket i Rogaland* (Stavanger: Lokalhistorisk stiftelse, 2000), pp. 181-85 and H. Dalen, *Fra handel med livsformødenbeter til Amanda Storsenter. Haugesund og Omland S-lags historie* (Haugesund: Haugesund og Omland Samvirkelag, 1998).

²⁵² H. Dalen, *Fra handel med livsformødenbeter til Amanda Storsenter. Haugesund og Omland S-lags historie* (Haugesund: Haugesund og Omland Samvirkelag, 1998), p. 25.

²⁵³ Equal to £ 30,000 and £ 1,1 million

²⁵⁴ G. Roaldkvam, *Vårt eget eventyr. Forbrukersamvirket i Rogaland* (Stavanger: Lokalhistorisk stiftelse, 2000), p. 183

means to increase co-operative presence in the Norwegian food retail market. Rather than scepticism and reluctance to change, Norwegian co-operators simply advocated a much more pragmatic stance towards the need for change. As the NKL formulated it in a critical statement to the Consumer Council on the future prospect of home delivery services: 'The efficient store is the large store'.²⁵⁵

In addition to these positive and pragmatic attitudes, Norwegian co-operators also managed to more easily overcome existing building restrictions, to find the necessary finances to establish the new stores and to operate them in an efficient and competitive manner. The capital problem had been an issue of particular concern within the UK movement. Many small societies struggled to find the necessary capital to finance expansions into supermarket retailing. Continuous erosion of sales and weak profitability severely hampered their financial situation. Negative publicity and increased competition for savings also caused members to withdraw their deposits. Hence, in the period from 1945 to 1985 share capital in the UK movement declined by 95 per cent in real terms.²⁵⁶ In the short period between 1968 and 1970 alone, fifty million or twelve per cent of total capital employed was withdrawn from societies.²⁵⁷ Further problems were created by government legislation restricting the possibilities for self-investment of existing funds. Instead, retail societies were forced to dispose of their employees' pension funds in external equities, without, as a co-op, having the possibility of receiving similar investments in return.²⁵⁸

The situation in Norway was very different. A co-operative savings campaign sparked off in 1954 had a tremendous effect on the total level of share capital. In the period from 1950 to 1980, members' savings grew eightfold in fixed prices. As we recall from the experiences in Haugesund, such growth in members' savings played a vital part in the process of expanding trade into the supermarket segment. Increased savings made the establishment of new and larger stores possible. These stores facilitated increased earnings and attracted new customers to the co-op. More members could thus be recruited, further increasing the amount of savings and share capital. A virtuous circle of growth was thus induced. Compared with the private retailers, the Norwegian co-ops had several advantages in the race to establish supermarkets. Still operating on a small scale, the maximum level of retained earnings was restricted among the private retailers. And as long as the stores were independently owned, typically by a single family, external finances

²⁵⁵ Printed in *Forbrukeren*, 17:3 (1962), 65.

²⁵⁶ P. Paxton, 'Consumer co-operative capital', *Yearbook of Co-operative Enterprise*, (1989), 67-71.

²⁵⁷ J. Bamfield, 'Rationalization and the Problems of Re-positioning: UK Co-operatives Caught in the Middle', in Gerry Johnson (ed.), *Business Strategy and Retailing* (Chichester: John Wiley & Sons, 1987), p. 160.

²⁵⁸ P. Paxton, 'Consumer co-operative capital', *Yearbook of Co-operative Enterprise*, (1989), 67-71.

were limited. As such, the small private retailers in Norway in many ways experienced the same problems as had many of the British co-operative societies.

This is not to say the Norwegian co-operative movement found the change towards supermarket trading easy, or that it was alone in introducing the supermarket to the Norwegian market. Already in 1956 what was presumably the first privately owned supermarket in Norway had been opened by Didrik Hvalstad in Bærum, outside Oslo. The shop operated a sales area of 4,300 square feet and it presumably traded an annual turnover of 5 million NOK, or £ 250,000.²⁵⁹ Throughout the 1960s private retailers started to seriously challenge the market position of the co-operatives within the supermarket segment. Typically, the challenge was fiercest in the larger cities. Hence in Oslo, and despite the substantial expansion of the city's Co-operative Society, private competitors managed to increase their share of the market. The major recipe of these retailers was to establish large supermarkets in the high street, to compete aggressively on price and to co-operate in horizontal chains.²⁶⁰ As such they employed many of the same strategies as their British counterparts. The ultimate success of their approach is made evident by the fact that while both the actual number and the share of stores operating in the inner city area was reduced during the mid-1960s, the share of total food trade conducted in the same area increased. Hence, while 45.8 per cent of all food trade was done in the inner city area in 1963, the share had risen to 48.1 by 1967. In the same period the actual number of inner city stores was reduced by 12 per cent.²⁶¹ As was reported by a contemporary analyst, a major reason behind these developments was most likely 'the many large supermarkets based on the discount principle that have been established in the inner city areas'.²⁶²

The developments in Oslo substantially challenged the position of the city's co-operative society. Despite their rapid expansion into the supermarket segment, from the mid-1960s onwards the society experienced consecutive years with a declining market share, weakened profitability and failure to pay the yearly dividend.²⁶³ The general picture was, however, still one of expansion and growth. Despite the problems experienced in the largest cities – most prominently Oslo – the Norwegian co-ops remained the leading operator of large scale supermarkets within the Norwegian market. In 1968 the average sales of co-operative stores was

²⁵⁹ According to E. Røsrud, *Dagligvareforbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003), p. 19. Note that these details have not been possible to validate through other sources and that the trading estimates seem quite improbable.

²⁶⁰ See E. Benum, *Oslos bys historie, bind 5* (Oslo: J.W. Cappelens Forlag, 1994), p. 98.

²⁶¹ Note that the period saw an overall reduction in the number of stores in operation, but the reduction in the suburbs was much less significant than in the inner city areas. The suburbs thus increased their share of the total number of stores. Figures from Å. Hadler, *Detaljhandelen i Oslo. En studie av dens struktur og lokalisering og av de endringer som har funnet sted i perioden 1963-1967* (Oslo: Norsk Produktivitetsinstitutt, 1970), pp. 85-6

²⁶² *Ibid.*, p. 86.

²⁶³ H. Korsell, *100 år med samvirke i hovedstaden* (Sarpsborg: Forbrukersamvirket ØST, 1994).

close to double that of private stores.²⁶⁴ And while supermarket retailing had been successfully adopted by some private retailers, most of them continued to trade in the smaller formats. The co-operative retail societies for their part managed to expand more quickly and more evenly into the larger formats, increasing dramatically their overall sales. The pattern was clearly reflected in market share developments. From 1955 to 1978, co-operative societies increased their share of the food retail market by more than 40 per cent, from an approximate of 18 per cent to 26 per cent.²⁶⁵ Compared to the developments seen in the UK co-ops, the progress of the Norwegian co-operatives was also marked. We recall how the market position of the British co-operatives was drastically eroded throughout the 1960s and early 1970s. Similarly, developments in turnover show that while co-operative turnover in the UK was reduced in fixed prices, the Norwegian co-ops in the period from 1960 to 1970 strengthened their sales by close to 70 per cent.²⁶⁶ Looking at supermarket development specifically, it is also noticeable that the Norwegian co-ops outperformed their British counterparts. By 1966, 13 per cent of all co-operative shops in Norway were run as supermarkets.²⁶⁷ The equivalent figure for the UK movement was 3 per cent.²⁶⁸

Conclusions

The Norwegian consumer co-operatives managed to transfer their food trade to the larger and more cost-efficient supermarket outlets at a faster pace than the UK consumer co-ops. In the UK, co-op societies largely failed to develop a competitive structure of supermarkets capable of facing the radical expansions of the private retailers. The consequence was a continuous erosion of sales and market share throughout the 1960s and early 1970s. The Norwegian co-ops by contrast managed to defend and strengthen their position in relation to their private competitors during the same period. By introducing supermarket retailing in their home markets, small retail societies grew to become substantial local businesses. At the national level, the co-operative movement saw a steady growth in market share.

²⁶⁴ NKLs Utredningskomité, *Forbrukersamvirket under utvikling. Innstilling fra NKLs utredningskomite 1966* (Oslo: Norges Kooperative Landsforening, 1967), pp. 45-6.

²⁶⁵ The figures for 1955 only include co-operative societies affiliated to the NKL and are taken from S. Halvorsen, 'De første resultatene fra bedriftstelingen 1953', *Forbrukeren*, 10:10 (1954), 240-41. Figure from 1978 is taken from Norges Kooperative Landsforening, *Annual Report 1978*.

²⁶⁶ Figures from L. Sparks, 'Consumer co-operation in the United Kingdom 1945-1993: Review – and prospects', *Journal of Co-operative Studies*, 79 (1994), 26 and Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

²⁶⁷ NKLs Utredningskomité, *Forbrukersamvirket under utvikling*, p. 59

²⁶⁸ The number of supermarkets in 1967 was 416, while the total number of food stores was approximately 14,900, Co-operative Union Ltd., 'Co-operative supermarkets 1967', *Trade Advisory Bulletin*, 38 (1968).

A major reason behind this divergent development needs to be related to the differing competitive strengths of the Norwegian and British private retail sector. As this chapter has shown, the introduction of supermarket trading reached a decisive point when British multiple retailers started to eat directly into the market shares of the co-operative societies. These retailers had both the capital and the strategic capabilities necessary to fully exploit the potential in supermarket trading. Companies such as Sainsbury's, Tesco, and the Weston Group dramatically outperformed the achievements of the co-operative societies and became the new frontrunners of British food retailing. As an example, in the period from 1960 to 1970 Sainsbury's tripled its sales while doubling its total profits, the major reason being substantial investments in the establishment of new supermarkets.²⁶⁹ While the number of branches operated by the company fell, the total selling area increased. The simple reason, as stated by the company's historian, was that, 'often a large store replaced several smaller stores'.²⁷⁰ During the 1960s the average sales area in a new Sainsbury's branch increased from 4,750 to 10,200 square feet. The total selling area of the company's self-service stores grew from 95,000 to 806,000 square feet. In the same period, the number of product lines in a single shop was doubled, from approximately 2,000 to 4,000. By 1970, Sainsbury's was the country's second largest food retailer in terms of sales, even if only 20 per cent of the population lived within the reach of a Sainsbury's shop. Taken as a group, the co-op movement was at this point still the country's largest food retailer, controlling approximately 12.5 per cent of the market.²⁷¹ But, partly due to the rapid expansion of the multiples, the trend was negative, both in terms of sales, profits and market share.

The contrast with the Norwegian experience is stark. In Norway the private retail industry remained weak and fragmented. This provided ample room for the co-operative societies to experiment and expand. The result was that the co-operative societies could, more easily than the British, take on a leading role in the development of supermarket retailing. Still, the divergent development of the two movements can not only be confined to differences in the competitive climate of the two countries. As this chapter has shown repeatedly, the UK co-ops also lagged behind their Norwegian sister organisations in their ability to transfer trade to the supermarket format. This divergence was caused by differences in attitude towards the large scale supermarket format, differences in the ability to finance the establishment of new stores and differences in the capabilities of operating these stores efficiently. While the British co-ops were gradually spurred

²⁶⁹ This and the remaining part of the paragraph largely according to B. Williams, *The Best Butter in the World: A History of Sainsbury's* (London: Ebury Press, 1994), pp. 138-60.

²⁷⁰ *Ibid.*, p. 150.

²⁷¹ L. Sparks, 'Consumer co-operation in the United Kingdom 1945-1993: Review – and prospects', *Journal of Co-operative Studies*, 79 (1994), 25.

into a vicious cycle of declining trade, reduced consumer confidence, withdrawal of share capital and financial difficulties, the Norwegian co-ops managed to set in motion more positive cycles of development. More generally, the strategic reluctance observed within large parts of the UK movement to abandon their small, outdated and 'ideologically correct' ways of trading can be contrasted with the more pragmatic views of the Norwegian co-operators. The Norwegians simply seem to have taken on a much more positive attitude to the prospects of large-scale supermarket trading. Rather than co-operation equalling small and local, they defined their co-operative mission more as one of serving the consumer through rationalisation on a broad scale. The introduction of supermarket retailing was simply a natural step in such a process. The pragmatic stance of the Norwegian co-operators proved even more vital in the years to come, when superstores and hypermarkets even more intensely challenged the traditional co-operative way of doing business.

Chapter 4: Superstores and hypermarkets

We are now entering the third stage of the retailing revolution. The creation and operation in Birmingham of large scale hypermarkets will radically alter the pattern of trading in the coming decade.²⁷²

These were the words of representative Charlie Job of Kent, taking to the podium at the 102nd Co-operative Union congress in Eastbourne in June 1971. Job had entered the congress stand to support a proposal submitted by the North-Eastern Society, concerning the need to establish a long- term planning unit, controlled by the Co-op Union, the Co-operative Wholesale Society (CWS) and the Scottish Co-operative Wholesale Society (SCWS). The unit would, if established, provide the retail societies with authoritative advice and practical assistance on trading issues, including a 'determination of the Co-operative market: the growth markets, the kind of stores and shops needed – their location, size, and merchandise mix'.²⁷³

What specifically concerned Job was the growth of the so-called superstores and hypermarkets. These were a new type of stores, typically located out of town or on the edge of towns and cities. They comprised a total floor space of at least 25,000 square feet. Their basic operational procedure was a strict cost structure, a radical pricing policy and a broad product range. These stores were gradually making the supermarket look dated and seen as the most modern and efficient form of food retailing. According to Job, 'the growth of the hypermarket movement ... [was] phenomenal, especially in France.'²⁷⁴

Superstores and hypermarkets seriously started to make their presence felt in Europe from the mid-1960s onwards. And gradually they came to dominate the food retail market in several countries, including Britain. The economic potential of the superstore and hypermarket was even more obvious than had been the case for the supermarket format. But, even more so than the supermarkets, the establishment of hypermarkets demanded substantial capital investment. To be operated efficiently the stores also had to be supported by a comprehensive system of buying, wholesaling, distribution and merchandising and the daily running of the stores

²⁷² The Co-operative Union Ltd, *Report of the 102nd Annual Co-operative Congress in the Congress Theatre Winter Garden Eastbourne May 31st-June 2nd 1971* (Manchester: The Co-operative Union Ltd., 1971), p. 254.

²⁷³ *Ibid.*, p. 249.

²⁷⁴ *Ibid.*, p. 254.

required considerable administrative skills. To become a successful operator of superstores and hypermarkets demanded a complex set of organisational capabilities.²⁷⁵ A pertinent question for the co-operative societies in the UK and Norway by the beginning of the 1970s was whether they possessed or were capable of developing such skills.

The growth of superstore and hypermarket retailing came to have a tremendous effect on British food retailing. While the country had lagged behind for thirty years in the development of supermarkets, the growth of superstores and hypermarkets throughout the 1980s and 1990s paralleled developments in the US.²⁷⁶ While there were hardly any superstores and hypermarkets in operation in the UK at the beginning of the 1970s, at the turn of the millennium, more than fifty per cent of all food sales were in such stores.²⁷⁷ According to retail geographers Neil Wrigley and Michelle Lowe, during the 1980s all the major UK food retailers became heavily involved in superstore development.²⁷⁸ The co-operative movement was no exception to this trend. It soon turned out, however, that the co-operative superstores and hypermarkets could not compete with those operated by the multiple retailers. With a market share of 10.5 per cent the UK co-ops were, taken as a group, still the largest food retailer in Britain by the beginning of the 1980s. By the turn of the millennium, however, the movement had been relegated to fifth place, with a share of the market just below 6 per cent.²⁷⁹ A major reason behind this decline was that the British co-ops had failed to successfully approach the increasing dominance of large-scale superstores and hypermarkets within the country's food retail market.

The development in Norway was very different. First of all, the influence of the superstores and hypermarket formats remained comparatively limited in Norway. While such stores by the turn of the millennium accounted on average for 30 per cent of food sales in Western Europe, and more than 50 per cent in the UK, in Norway they controlled only 5 per cent of sales.²⁸⁰ Secondly, the majority of this trade was controlled by co-operative societies. By 2002 more than fifty per cent of the trade conducted in superstores and hypermarkets was in the

²⁷⁵ i.e. administrative skills, operational facilities and capital. See A. Chandler, *Scale and Scope. The dynamics of industrial capitalism* (Cambridge, Massachusetts: The Belknap Press of Harvard University Press, 2001), pp. 35-6.

²⁷⁶ N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), pp. 76-83.

²⁷⁷ Figures taken from Nordic Competition Authorities, *Nordic Food Markets – a taste for competition*, Report 1/2005, p. 67.

²⁷⁸ N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), p. 77.

²⁷⁹ Market share figures are taken from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years) and Competition Commission, *Supermarkets. A report on the supply of groceries from multiple stores in the United Kingdom, volume II* (London: Competition Commission, 2000), p. 47.

²⁸⁰ Figures taken from Nordic Competition Authorities, *Nordic Food Markets – a taste for competition*, Report 1/2005, p. 67.

hands of co-operative retail societies.²⁸¹ Hence, while the growth of superstore and hypermarket retailing had further added to the decline of the British co-operative movement, in Norway the development of such stores stabilised and in some areas strengthened the market position of the Norwegian co-ops.

The present chapter explores how these divergent developments unfolded and discusses how they can be explained. Three main questions are investigated. Was the superstore and hypermarket viewed as an important and viable store type for the co-ops and how did they approach the format in its initial phase of development? How did the societies obtain the finances and operational skills necessary to establish and operate stores of the size and scope these formats demanded? And how did the co-operative superstores and hypermarkets deal with the developments among competing food retailers also seeking to exploit the potential in superstore and hypermarket retailing?

The hypermarket

The superstore and the hypermarket were two slightly different types of retail formats. They were both characterised by their large size, their broad product range and their location in single-level, out of town buildings supported by extensive (free) car parking. What differentiated the two was basically that the hypermarket was even larger than the superstore, typically constructed at around 55,000 square feet as compared with the minimum of 25,000 square feet of the superstores.²⁸² The hypermarkets would also stock a higher share of non-food products, normally at the range of 35 per cent of total sales.²⁸³

According to authoritative sources, the first hypermarket in Europe was established by the French retailer Carrefour, at St Geneviève-des-Bois, south of Paris, in 1963.²⁸⁴ At 2,500 square meters, the Carrefour store was actually a superstore, not a hypermarket in the strict sense. It is also evident that already in 1962 the Swedish private retailer Wessels had opened a 7,000

²⁸¹ K4, anteroom of the administration, 'figures developed by AC Nielsen for the Boston Consulting Group and Coop NKL', 24 January 2006.

²⁸² Roughly similar to 5,100 and 2,300 square meters. As a consequence the superstore would typically be situated on the edge of town sites while hypermarkets would be constructed out of town.

²⁸³ For an overview, see N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), pp. 76-83.

²⁸⁴ This according to D. Hopwood, 'The boom in hypermarkets', *Co-operative Management and Marketing*, 5:1 (1972), 36-41. See also D. Powell, *Counter revolution. The Tesco Story* (London: GraftonBooks, 1991), p. 128.

square meter store in Jägersro outside Malmö.²⁸⁵ In any case, the opening of these stores marked the beginning of a substantial growth in large-scale retailing throughout Western Europe. According to retail historian James B. Jefferys, reporting on the development of large retail units in the co-operative trade journal *Co-operative Management and Marketing* in 1972, the number of stores operating a floor space exceeding 25,000 square feet rose from three in 1962 to 604 in 1972.²⁸⁶ Combining the growth in department stores, variety stores and supermarkets, the total selling space of large units had increased by 125 million square feet within the same ten year period. In the words of Jefferys: 'Never in the history of European retailing has there been such a spectacular development in such a short space of time.'²⁸⁷

The economic viability of the superstore and hypermarket was connected to several interrelated factors.²⁸⁸ Constructing the store in large, simple, one storey buildings situated outside city centres greatly reduced the costs of property relative to the actual surface area. Reduced costs were also secured by keeping the interior simple and standardised and by focusing on products with high turnover rates. The most important cost factor was, however, related to the possibilities of reducing wage costs. The stores could simply handle a much larger amount of trade with a relatively smaller staff than other retail formats.

At the same time, the superstores and hypermarkets also generated higher sales densities, i.e. a higher level of trade per square foot of selling space. The cost reductions obtained made possible a substantial lowering of prices. This increased sales directly. In addition, the stores would also stock a wider product range with more 'value added' lines. Stocking a larger proportion of non-food products, the hypermarkets would particularly take advantage of such enhanced operating margins. Finally, customers would typically spend a higher average amount of money in the superstores due to the possibilities of one-stop shopping. As a consequence of the size and the isolated location of these stores, superstores and hypermarkets simply gained from holding what was in practice a local monopoly.

The ultimate result of these operational features was that the superstores and hypermarkets were capable of producing sales with such low costs previously unheard of within the food retailing industry. As soon as such stores started to be established in a given food

²⁸⁵ H. Kylebäck, *Varubandeln i Sverige under 1900-talet* (Göteborg: BAS, 2004), p. 156. This is also reported by D. Hopwood, 'Hypermarkets in Sweden – where co-operation and good living co-exist', *Co-operative Marketing and Management*, 4:7 (1979), 36.

²⁸⁶ J. B. Jefferys, 'Development on the Continent', *Co-operative Management and Marketing*, 5:3 (1972), 37-9.

²⁸⁷ *Ibid.*, 37.

²⁸⁸ See N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), pp. 77-80.

market, it became imperative for the existing retailers to find ways of dealing with the challenges they represented.

The first hypermarkets in Norway

As the 1970s approached, both the UK and the Norwegian consumer co-operatives were well aware of the economic potential of hypermarket retailing. Within the Norwegian movement, the tremendous economic possibilities of the hypermarket had been reported as early as January 1964, when the co-operative journal *Forbrukeren* presented an article on the opening of the Swedish co-operative movement's first 'discount department store'.²⁸⁹ The store, named Obs!, was opened and operated by the co-operative society of Stockholm. It was a hypermarket in every sense of the word.²⁹⁰ It was situated about 20 kilometres south of Stockholm. At 15,000 square meters, or more than 160,000 square feet, the store was twice as large as the Wessels store outside Malmö.²⁹¹ The outside parking lot could hold 3,000 cars. The store stocked a wide variety of products and prices were 10-15 per cent lower than in inner city stores. The store operated on the premise that wage costs should not exceed one third of normal wage costs in department stores, and the rent of property should be less than one fifth of the standard rate in inner city areas.²⁹² When the store opened on the 5 January 1963, it clearly must have been among the largest food stores ever seen in Europe.

The hypermarket outside Stockholm was an immediate success. The budgeted turnover for the first year of trading was estimated to be SEK 25 million. In practice, it achieved a turnover of almost SEK 37 million.²⁹³ As a consequence, more stores of a similar kind were soon established. In 1964 a second store was opened in Gärde, outside Västerås, and by 1967 five hypermarkets had been opened.²⁹⁴

The success of the Swedish hypermarkets was soon recognised by Norwegian co-operators. Inspired by the radical economic achievements of these new and large stores, the

²⁸⁹ I. Gundersen, 'OBS! er OBServet', *Forbrukeren*, 19:1 (1964), 4-6.

²⁹⁰ The only feature differentiating it from the standard hypermarket format was that the selling area was divided into two floors.

²⁹¹ This according to I. Gundersen, 'OBS! er OBServet', *Forbrukeren*, 19:1 (1964), 4-6 and H. Kylebäck, *Varubandel i Sverige under 1900-talet* (Göteborg: BAS, 2004), p. 157. According to Dennis Hopwood reporting on the opening of the store in the British co-operative journal *Co-operative Marketing and Management* the sales area of the store extended to 107,000 square feet, D. Hopwood, 'Hypermarkets in Sweden – where co-operation and good living co-exist', *Co-operative Marketing and Management*, 4:7 (1979), 36.

²⁹² This according to I. Gundersen, 'Eksterne lavprisvarerhus eller rabattvarerhus', *Forbrukeren*, 22:6/7 (1967), 97-9.

²⁹³ D. Hopwood, 'Hypermarkets in Sweden – where co-operation and good living co-exist', *Co-operative Marketing and Management*, 4:7 (1979), 36.

²⁹⁴ H. Kylebäck, *Konsumentkooperation i strukturomvandling Del 2 1960-1985* (Kungälv: Raben & Sjögren, 1989), pp. 87-8.

leadership of the Norwegian Co-operative Association (NKL) decided to investigate the possibilities of developing similar kinds of outlets in Norway. It was clear from the outset that no single retail society at this point had the financial or the managerial capacity to build a store on the scale that was being considered. As was noted in an article on the prospects of out of town superstores and hypermarkets in *Forbrukeren*, it was generally 'not possible for co-operative societies to establish such enterprises'.²⁹⁵ Such large stores had rather to be 'established and operated in cooperation between the local co-operative society and the central association NKL'.²⁹⁶

In 1967 the NKL board decided that an opening should be attempted at Lade, just outside the city of Trondheim. The store was to be established and operated as a cooperative endeavour between the NKL and a group of co-operative societies already operating in the region. It was finally opened in October 1968. It operated a net sales area of 5,600 square meters, or roughly 60,000 square feet on a single level. It stocked a total of 20,000 different articles, of which a substantial share was non-food products and it operated on a strict low price policy.²⁹⁷ Placed on an out of town site it relied almost totally on car ownership and the parking lot was constructed to hold 800 cars.²⁹⁸ The success of the store was immediate. In the first full year of trading the store recorded a total turnover of 45.5 million NOK, equal to 2.6 million pounds in 1969. Of this, close to 50 per cent came from the sale of food.²⁹⁹ Five years later the turnover had almost trebled in running prices.³⁰⁰ In fixed prices the turnover growth was 100 per cent. The profitability of the store was also generally very positive. In its first year of trading the store recorded profits in percentage of sales of close to four per cent.³⁰¹

The immediate economic success of the Lade store implied that the economic potential of the hypermarket format had been clearly proven. The opening had also shown the true potential of close cooperation between local retail societies and the national association. Originally, the premises on which the store was built had been owned by the national association, while the responsibility for running the store was given to the local retail societies. When seven of these societies decided to merge to form a single, regional retail society full

²⁹⁵ I. Gundersen, 'Eksterne lavprisvarehus eller rabattvarehus', *Forbrukeren*, 22:6/7 (1967), 99.

²⁹⁶ *Ibid.*

²⁹⁷ C. Falck, *Strukturendringene i varebandelen og virkningen for industrien* (Oslo: Johan Grundt Tanum forlag, 1969), pp. 44-5.

²⁹⁸ H. Petersen, *Domus stormarked* (Bergen: Norges Handelshøyskole, 1969), p. 9.

²⁹⁹ Domus stormarked, Lade, *Beretning og regnskap 1969*, p. 2.

³⁰⁰ Varehusforningen Domus, *Årsberetning og Regnskap 1974*, p. 4.

³⁰¹ Domus stormarked, Lade, *Beretning og regnskap 1969*, p. 2.

ownership of the property was handed over to these societies.³⁰² With full ownership and operational control, the new society, named Trondos or the Co-operative Society of Trondheim and Environs, was given a head start. With the hypermarket at Lade as the fundamental driving force, the society gradually developed to become one of the strongest co-operative societies in the country. As such, the opening and immediate success of the Lade hypermarket was more than an important economic achievement. Both administratively and financially, the opening became a model for the future establishment of co-operative hypermarkets.

Despite the success of the Lade opening, the number of new openings remained limited for some years yet. In September 1976 a superstore, operating a total selling area of 3,150 square meters, equal to 34,000 square feet, was opened at Slitu in the south-eastern part of the country.³⁰³ The store was owned and operated by the co-operative society of Østfold, a newly formed regional co-op. This store also proved an immediate economic success, recording substantial yearly increases in both sales and profits. But it remained the only large- scale opening made by the co-op movement throughout the entire 1970s.

The reasons for this limited interest in the superstore and hypermarket format were many. First of all, the market potential for such stores was still limited. With a relatively small population spread thinly across the country, the number of customers necessary to run an efficient out of town hypermarket was simply not achievable in many places. Nor was the capital needed to fund such large stores readily available. Despite the co-op's possibilities to secure increased financial strength through local and national cooperation, limited availability of capital slowed down expansion into the superstore and hypermarket formats. Finally, a sceptical attitude towards the demographic prospects of out of town retailing also seems to have prevailed among influential co-operators. Until the coming of the superstore and hypermarket, most store development had been confined to inner city areas, suburbs or regional town centres. As such, the retail store had remained an important part in the process of building coherent and viable urban and regional communities. The establishment of superstores and hypermarkets, however, implied that trade was moved out of these communities. A substantial scepticism seems to have prevailed towards such a development. The continued commitment of the Norwegian co-operators to restrict their large- scale developments to inner city department stores is indicative of such an attitude.

³⁰² According to Helmuth Petersen, the participating societies were Trondheim Co-operative Society, Strinda Co-operative Society, Selsbakk Co-operative Society, Ranheim Co-operative Society and Bynesset Co-operative Society (H. Petersen, *Domus stormarked* (Bergen: Norges Handelshøyskole, 1969), p. 10.

³⁰³ The following paragraph is based on K. T. Knutsen, *Fra krambod til stormarked. Forbrukerkooperasjonen i Østfold gjennom 120 år* (Sarpsborg: Østfold Samvirkelag, 1987), pp. 221-5.

The restricted development of superstores and hypermarkets throughout the 1960s and 1970s clearly reflects the fact that the co-op movement was not yet ready to fully adopt the large, edge of town and out of town formats. By the end of the 1970s the co-op movement operated only two such stores. But some important achievements had been made. The opening of the two stores had induced increased cooperation between the national association and the local retail societies, as well as strengthened cooperation at the local level. Both the Lade and the Slitu store were operated by large regional societies established just prior to or as a consequence of the large- scale opening. Both stores were owned and controlled independently by these regional co-ops, but they were run under a common logo and according to common operational procedures. The sales potential of the superstore and hypermarket had also been clearly proven. While the two stores represented only 0.1 per cent of total stores operated by the movement, in 1980 they controlled 2.5 per cent of total sales.³⁰⁴ Hence, while the actual opening of stores had been limited, the first experiences with the format had been positive and the future potential of such stores was obvious.

Early development of superstores and hypermarkets in the UK

Similar to the Norwegian experience, very few out of town superstores and hypermarkets had been established in the UK by the early 1970s. Rather, most new store openings continued to be confined to the High Street, where competition for the best locations remained fierce. Gradually, however, the efficiency potential of these new, large retail formats was increasingly recognised.

Within the co-operative movement specifically, a wait-and-see attitude towards the prospects of large scale, out of town retailing seems to have dominated. By the early 1970s, many societies were still struggling to overcome the challenges from the supermarkets and they were not ready to handle yet another store format. As an editorial in the *Co-operative Management and Marketing* noted, many societies had just finished a 'painful revolution as they have been virtually forced from old established premises, formerly well sited, into new shopping centres'.³⁰⁵ The worry was that these societies would now 'have to face another traumatic experience as they find that even these centres are ... threatened by out-of-town developments'.³⁰⁶

The co-ops seem, however, to have held a positive attitude towards the cost- saving and price- cutting potential of the superstore and hypermarket formats. In a common memorandum

³⁰⁴ Both food and non-food, see Norges Kooperative Landsforening, *Strategiplan for S-lagene og NKL 1985-1994, del 2.1.1.0* (Oslo: Norges Kooperative Landsforening, 1985), p. 3.

³⁰⁵ Editorial, 'Comment', *Co-operative Management and Marketing* 5:3 (1972), 5.

³⁰⁶ *Ibid.*

on superstores and hypermarkets issued to the Department of the Environment in 1971, the CWS, SCWS and the retail societies stated that, ‘as a consumer’s organisation’, the co-operative movement was principally supportive of any measures capable of favouring the consumer by ‘minimis[ing] distribution costs.’³⁰⁷ As such, they were also in favour of the superstore and hypermarket formats as far as these could contribute to such savings. At the same time, the memorandum, summarised in the July edition of the *Co-operative Review*, also revealed that leading co-operators did not foresee a dominant future for out of town food shopping. Rather, it was expected that the large scale formats would develop alongside the existing stores types. The hypermarkets and superstores were viewed to be a supplement, not a replacement:

There is no evidence of any actual *retreat* by leading food or other “convenience” goods retailers from the large city and town centres. Indeed Co-operative experiences and that of our principal competitors indicates a steady and continuing increase in town centre facilities ... this is now being *complemented* – but not replaced – by supermarkets, etc. established in new suburban district centres and on “edge of town” locations. It will be further complemented, planning requirements permitting, by some developments of free-standing superstores.³⁰⁸

Hence, while the efficiency potential of the new, large formats was fully recognised, many remained sceptical of the future role of these types of stores within the British food retail market. The question thus remained how the coming of superstore and hypermarket retailing could best be approached in practice.

As it turned out, and similar to the self-service and supermarket experience, the co-ops took an early lead in the opening of superstores and hypermarkets within the British food retail market. In the summer of 1973, the Co-operative Retail Services (CRS), by then the UK’s largest retail society, opened one of its first purpose built superstores in Pyle near Bridgend, South Wales.³⁰⁹ The store operated a selling area of 29,000 square feet and provided parking facilities for 400 cars. It soon traded a total turnover of more than £ 3 million, equal to NOK 40 million. As with the Norwegian hypermarkets, the store was operated with a separate trading name, Leo, clearly distinguishing it from the traditional co-operative grocery trade.

By 1974 a total of six Leo superstores were in operation. Apart from the store at Pyle, these were situated in Scunthorpe in Humberside, Birkenhead in Merseyside, Liverpool,

³⁰⁷ A summary of the memorandum was printed in the *Co-operative Review*, July (1971), 4-5.

³⁰⁸ ‘Out-of-town shopping centres. The Hypermarket debate’, *Co-operative Review*, July (1971), 4.

³⁰⁹ The following paragraph based on unknown author, ‘Leo’s stores’, *Co-operative Management and Marketing* 8:9 (1975), 31-6 Presumably, the society made a first venture into superstore retailing by opening a store in Penarth, South Wales in 1973.

Glamorgan and Cardiff.³¹⁰ While the stores represented less than 1 per cent of all stores operated by the CRS, they accounted for close to ten per cent of the society's total turnover. On average, they traded on a net profit of 3.7 per cent of sales. As we recall, the similar figure for the Lade hypermarket in its first year of trading had been 3.9 per cent.

Along similar lines as the CRS, the North Midlands Society, trading in the areas of North Staffordshire and South Cheshire, developed their Normid superstores and hypermarkets from the early 1970s onwards.³¹¹ The first venture into superstore retailing had been made in 1971, when the department store at Crewe was rebuilt. After the conversion the store experienced a dramatic increase in sales, from £ 336,000 in 1970 to £ 3 million in 1975. In real terms this implied a growth of more than 400 per cent. The first purpose built superstore was opened at Hamil Road, Burslem in May 1973. It held a total of 30,000 square feet of net selling space.³¹² By the following year two more stores had been opened, one converted store at Newcastle-under-Lyme and one purpose built store just outside Tunstall. Then, in the autumn of 1975 the first hypermarket was opened at Talke, Stoke-on Trent. The store operated a total selling area of roughly 70,000 square feet.

Apart from the initial store at Crewe, all the large stores traded primarily in food. They all operated under the same Normid brand. And as the following figures clearly show, they helped push forward a dramatic strengthening of the society's economic performance. When the Co-operative Society had been formed in 1969, total turnover was roughly £ 8.5 million. This trade was collected through a total of 264 trading units. By 1975, the number of trading units had been reduced to less than half, while total turnover had been quadrupled.³¹³ Out of the now total sales of £ 34 million, the four Normid superstores alone were anticipated to account for some £15 million. Three years later, and including the trade at the Talke Hypermarket, total turnover had risen to £ 66 million. In real terms, this implied a growth of 33 per cent, half of which was accounted for by the five Normid stores. As a consequence of these radical sales increases, North Midlands advanced from being the thirty-fourth to become the twelfth largest retail society in Britain in terms of turnover. In terms of actual trading performance, the society held an even stronger position.

By 1976 the co-op movement operated a total of seventeen superstores and hypermarkets. This implied that the co-ops were Britain's second largest operator of such stores.

³¹⁰ D. Hopwood, 'Superstore or hypermarket?', *Co-operative Marketing and Management*, 6:1 (1980), 5.

³¹¹ The North Midlands Society had been formed in 1969 as a merger between the Burslem, Butt Lane, Crewe, Leek and Sandbach Co-operative Societies. This and the following two paragraphs are largely based on B. Farrow, 'Hypermarket development in Staffordshire', *Co-operative Marketing and Management*, 1:5 (1976), 7-11.

³¹² D. Hopwood, 'Superstore or hypermarket?', *Co-operative Marketing and Management*, 6:1 (1980), 5.

³¹³ Editorial, 'Comment', *Co-operative Marketing and Management*, 1:2 (1975), 5.

Two years later ten more stores had been opened, making a total of 27. The market leader was still Asda, while Tesco held third place. Similar to the self-service and supermarket experiences, the co-ops had thus managed to take on a leading role in introducing superstores and hypermarkets into the British food retail market. These developments again provided renewed confidence and optimism among co-operators that the movement indeed remained among the country's most innovative and dynamic retailers. Commenting on the developments in an 1976 edition of the *Co-operative Marketing and Management* journal, the general manager of the Retail Management Services of the CWS, Laurie Denton, concluded that it was 'quite on the cards that before long the Movement will be the most important operator' of superstores in the British market, the main reason being that 'the number [of large stores] in the process of development is much greater than any of our rivals.'³¹⁴

Divergent paths in hypermarket retailing

The British and Norwegian consumer co-ops had pioneered both the self-service system and supermarket trading. And as has just been shown, they also took an early lead in the development of the superstore and hypermarket formats. As we recall from the two previous chapters, however, the innovative role taken by the British consumer co-ops in self-service and supermarket trading did not provide them with a long term competitive advantage within these types of retail trading. Quite to the contrary, the self-service and supermarket breakthrough had sparked off a process of dramatic decline in the British co-operative movement. Private retailers had gradually surpassed the co-ops in the operation of self-service stores, and they had also better managed to reap the economic possibilities of supermarket trading. In Norway, the story had been different. Here, the co-ops had managed to hold on to their pioneering position in self-service and supermarket retailing and gradually developed to become a leading operator of such stores within the Norwegian food market. Rather than decline, the development of the self-service and supermarket form of retail trading had thus implied a strengthening of co-operative trade in Norway.

The development of hypermarket retailing showed much the same pattern. Even if the UK co-ops in 1979 were among Britain's largest operators of superstores and hypermarkets, they once again failed to transfer this first mover advantage into long term competitiveness. The reasons for this were many. Most importantly, while many stores had been opened in the course

³¹⁴ L. Denton, 'Now's the time to act, indecision could be fatal', *Co-operative Marketing and Management*, 3:5 (1978), 5 (emphasis in original).

of the 1970s, it soon turned out that the development had been fragmented and lacked overall co-ordination. As was noted by J. H. Perrow in his presidential address to the 1979 Co-op Union Congress in Eastbourne:

the Co-operative Movement is the second largest operator of superstores in this country and at this moment there are 16 in course of building, which will be opened in the next year or so. Nevertheless, our development is patchy and decisions are taken by individual retail boards of Directors with only one consideration in mind, that of their own local society.³¹⁵

At this point three main groups of co-operative superstores and hypermarkets could be identified.³¹⁶ The first consisted of the ten large stores now operated by the CRS, the second the five stores operated by the North Midlands Regional Society. The majority of stores, however, belonged to the third group. This consisted of a grand total of twenty separate retail societies, which between them operated a total of twenty-one superstores, hypermarkets and four other large stores.³¹⁷ As a general rule, these stores were operated independently and without the support from a co-ordinated, national development program. Compared to the stores operated by the CRS and North Midlands Co-operative society, they traded below average performance. Hence, while several co-operative superstores and hypermarkets had been established, lack of coordination systematically weakened their competitive potential.

The problems related to this fragmented approach became radically intensified as the multiple retailers from the early 1980s onwards seriously started to expand their operations into the superstore and hypermarket segments. The period from the late 1970s to the early 1990s – later termed ‘the golden age of British retailing’ – saw an explosion in superstore development causing the private multiple retailers to double their sales manifold.³¹⁸ The lax regulatory regime of the Thatcher government paved the way for heavy investments and multiple retailers such as Sainsbury’s, Tesco, Asda, Argyll (later Safeway) and Gateway (Later Somerfield) expanded dramatically reaping the full sales and profitability potential of the hypermarket and superstore format. Due to the aggressive expansion of these retailers, competition over the most attractive

³¹⁵ Co-operative Union Ltd., *The 110th annual congress of the co-operative Union Ltd. held in the Congress Theatre Eastbourne May 28-30th 1979* (Manchester: Co-operative Union Ltd., 1979), p. 65.

³¹⁶ The following paragraph based on D. Hopwood, ‘Superstore or hypermarket?’, *Co-operative Marketing and Management*, 6:10 (1980), 23-5.

³¹⁷ The stores categorised as ‘large stores’, were either between 25-27,000 square feet or traded over multi-level sites. These stores were not categorised as hypermarkets or superstores by the official statistics developed by The Unit for Retail Planning Information, and were therefore categorised as ‘other large stores’.

³¹⁸ N. Wrigley, ‘Is the “golden age” of British grocery retailing at a watershed?’, *Environment and Planning A*, 23 (1991), 1545-60

development sites became extremely fierce, giving birth to expressions such as ‘store wars’.³¹⁹ A couple of examples may illustrate the point.

From being mainly focused on the market around London and the south-east the Sainsbury’s chain seriously started to expand its trading area from the mid- 1970s onwards.³²⁰ The major goal was to become a true national retailer. Parallel to its geographic expansion the company also continued to expand the average size of its stores. In the period from 1970 to 1985, average floor space of new stores opened by the chain more than doubled, from 10,200 to 26,000 square feet. A major part of this growth came from the establishment of edge-of town superstores and from the end of the 1970s onwards through the development of the separate Savacentre hypermarkets. The ultimate consequence of these parallel expansions was that the company in the mid- 1980s passed the co-op as the country’s largest food retailer.³²¹ Moreover, pre-tax profits rose on average 26 per cent every year throughout the 1980s, making the company by far the most efficient food retailer in the country. Hence, even if the co-ops had pioneered the introduction of hypermarket retailing in the British market, Sainsbury’s managed much better than the co-operative to combine increased size and an increased number of large stores with dramatically strengthened productivity and efficiency.

Along similar lines, the Tesco chain started an intensive process of expansion from the late 1970s onwards, primarily growing through the establishment of large superstores. In the ten year period between 1980 and 1990 alone, the average size of Tesco’s stores rose to over 26,000 square feet. By 1990, the average size of new stores under construction was 40,000 square feet.³²² At this point the group was opening more new superstores than Sainsbury’s, and in 1995 it achieved market leadership.³²³ From 1997 onwards the leading position was further strengthened as the company also started to move into the hypermarket segment. By 2002 the company operated no less than 44 hypermarkets under the Tesco Extra name.³²⁴ Other dominant retail groups were Asda, Argyll/Safeway and Somerfield. By the end of the 1990s these five multiple

³¹⁹ See N. Wrigley and M. Lowe, *Reading Retail. A Geographical Perspective on Retailing and Consumption Spaces* (London: Arnold, 2002), p. 32-7.

³²⁰ The following paragraph is largely based on B. Williams, *The Best Butter in the World. A History of Sainsbury’s* (London: Ebury Press, 1994), p. 212-13.

³²¹ Exactly when Sainsbury’s passed the co-ops in terms of market share is difficult to specify precisely, as it depends on the estimate used to record market share figures.

³²² N. Wrigley and M. Lowe, *Reading Retail. A Geographical Perspective on Retailing and Consumption Spaces* (London: Arnold, 2002), pp. 77-8.

³²³ G. Owen, ‘Corporate strategy in UK food retailing 1980-2002’, *London School of Economics: unpublished seminar paper*, 2003, 10. See also D. Powell, *Counter Revolution: The Tesco Story* (London: GraftonBooks, 1991) and N. Wrigley and M. Lowe, *Reading Retail. A Geographical Perspective on Retailing and Consumption Spaces* (London: Arnold, 2002), pp. 31-3.

³²⁴ The first Tesco Extra was opened in Pitsea, Essex in 1997 (www.tescocorporate.com); G. Owen, ‘Corporate strategy in UK food retailing 1980-2002’, *London School of Economics: unpublished seminar paper*, 2003, 13.

retailers controlled more than half of the total British food retail market.³²⁵ The large majority of their sales came through large superstores and hypermarkets. Their stores were centrally governed, supported by an integrated distribution system and operated on a standardised basis.

In an attempt to keep pace with these rapid developments, several new co-operative superstores and hypermarkets were opened. By 1986 the co-op movement was running 65 such stores, still giving them a leading position in terms of the number of stores operated. But, the efficiency of these stores in terms of sales per square foot remained way behind that of the competitors. As noted by co-operative commentator Ted Stephenson, co-operative superstores and hypermarkets continued to be 'spread thinly across a number of societies' causing fragmentation and problems of realising the potential economies of these large scale formats.³²⁶ In contrast to the standardised and centralised approach of the major multiples, co-operative superstores and hypermarkets were governed independently by local retail societies and they were run on a non-standardised basis. Most visibly, while all Tesco stores operated under the Tesco brand, and all Sainsbury's stores under the Sainsbury's brand (except for the Savacentre hypermarkets), co-op superstores were run under numerous different brands. As Desmond Hopwood pointed out in a 1993 article in the *Journal of Co-operative Studies*: 'Regional advertising campaigns in the provincial press feature a variety of different names for Co-op superstores. The latter bear a hotch-potch of formats – "Co-op Plus", "Leo's", "Normid", "Rainbow", "Scotmid" and "Shopping Giant".'³²⁷

The expansion of many co-ops into the superstore and hypermarket segment also caused substantial financial difficulties. Limited availability of capital implied that expansions often had to be financed by way of huge and expensive loans. But these loans soon put a heavy cost burden on the retail societies when the new store failed to produce the expected profit. The situation in Scotland was perhaps the most problematic. As managing secretary of the North Angus Co-operative Society John Anderson reported, 'the problems of the Scottish Co-operative movement are even worse than (sic) those English societies, difficult though that is to believe.'³²⁸ By 1982 the large majority of the 47 Scottish societies still in operation were relying on shops less than 2,000

³²⁵ N. Wrigley and M. Lowe, *Reading Retail. A Geographical Perspective on Retailing and Consumption Spaces* (London: Arnold, 2002), p. 33.

³²⁶ T. E. Stephenson, 'Confronting competition: Consumer co-operatives in the UK', *Yearbook of Co-operative Enterprise*, (1988), 111

³²⁷ D. Hopwood, 'Conditions for progress', *Journal of Co-operative Studies*, 78 (1993), 6.

³²⁸ J. Anderson, 'A future for Consumer Co-operation in Britain? The Movement in Scotland: A Personal View', *The Society for Co-operative Studies*, 46 (1982), 38.

square feet. In addition, these societies had 'little or no capital to develop new shops'.³²⁹ The severity of the situation was plainly formulated by Anderson:

Competition is strengthening in Scotland ... What a frightening prospect! How do you compete with superstores when you have small shops and little or no money? Some societies are trying but it has to be an uphill struggle. A multiple can open a superstore and wait three or four years for it to return a profit but no Scottish society can do that. Any development no matter how great its potential must make a profit the first year or it means financial ruin'.³³⁰

Taken together, the overall consequence of the problems in England and Scotland, was that the loss of market share starting in the late 1950s continued throughout the 1970s, -80s and 90s. In the years from 1980 to 2000 alone, market share was almost halved.

The continuous problems in the superstore and hypermarket segments gradually pushed forward a radical reformulation of the co-operative movement's overall strategy. In 1997 the CWS, by now the largest retail co-operative within the movement, announced that they were to sell off all their large scale units and focus their food retail trading in convenience stores and medium sized supermarkets.³³¹ Similar strategic shifts were also made by other large retail societies, gradually realising that they were unable to compete effectively in the superstore and hypermarket segments. Large stores were sold off and the movement increasingly defined itself as a community retailer, operating strictly in the smaller segments.³³² By 2001, the number of superstores and hypermarkets operated by the UK co-ops was the same as it had been in 1979, constituting 1 per cent of all co-operative food stores.³³³ After more than twenty years of superstore and hypermarket retailing, it was evident that this was a type of trading where the co-ops had failed to compete effectively.

The experiences of the Norwegian co-ops stand in contrast to the British development. In Norway, the innovative role taken by the co-operatives in introducing the hypermarket and superstore format was further developed and the co-op became the leading exponent of superstore and hypermarket retailing within the Norwegian food retail market. As we recall, after the Obs! hypermarket at Lade had been opened, only one new superstore opening had taken place in the 1970s. This was the Obs! superstore situated in Østfold. From the early 1980s

³²⁹ *Ibid.*

³³⁰ *Ibid.*, 39-40.

³³¹ Co-operative Wholesale Society, *Annual Report 1997*.

³³² For a recent account of the transfer to convenience retailing within the co-op movement, see A. Hallsworth and J. Bell, 'Retail change and the United Kingdom Co-operative Movement – new opportunity beckoning?', *International Review of Retail, Distribution and Consumer Research*, 13:3 (2003), 301-315. See also chapter five in the present thesis.

³³³ And a little more than 2 per cent of all co-operative food stores, see Co-operatives UK, *Consumer Co-operatives Performance Review 2002* (Manchester: Co-operatives UK, 2003).

onwards, however, hypermarkets and superstores were strategically defined as ‘the most promising store type’ run by the co-operative movement and a process of rapid expansion began.³³⁴ Already in 1981 a third large store was opened in Oslo. And by the end of 1984 another three had been established.³³⁵ In the following years roughly two stores were launched each year, meaning that by 1990 a total of fifteen superstores and hypermarkets were in operation.³³⁶ All these stores traded under the Obs! brand, were established in a concerted and coordinated effort including both local retail societies and the national federation and were run according to similar operational ideals. Taken together these stores controlled 17 per cent of total turnover within the movement.³³⁷

The rapid expansion into the hypermarket and superstore segments during the 1980s was fuelled both by a new NKL leadership keen to explore the possibilities of large scale formats and a booming national economy. As in the UK, the Norwegian economy was expanding rapidly during the early and mid- 1980s. In 1981 the Conservative Party had gained office. As part of their economic growth policy, strong emphasis was placed on stimulating supply by reducing growth in public spending, by cutting taxes for higher income households and businesses and by deregulating markets. The result was one of a veritable boom in bank lending and investments, both for private households and businesses. The co-operative movement was no exception to this trend, as the rapid growth in superstore and hypermarket retailing bear clear witness.

Just as important as the favourable economic surroundings, however, was the change of central leadership taking place in the NKL in the early 1980s. In 1983 the former CEO of Trondos, Knut Værdal, had been appointed CEO of the NKL. As we recall, Trondos was the co-operative society that had been responsible for the Lade hypermarket. The success of the Lade store had been substantial. Arriving at the NKL, Værdal already had first hand experience of the economic potential in large- scale, out of town retailing.³³⁸ He soon set out to transfer the Trondos recipe to the rest of the co-operative movement. In practice this implied that the retail societies were strongly encouraged to invest in new and large out of town stores and that the NKL took on a more active role in helping retail societies to develop these formats. In some instances this implied that a separate organisation owned jointly by the NKL and the local retail society was set up to establish and run the new store. In others the NKL owned the property and

³³⁴ Norges Kooperative Landsforening, *Strategiplan for S-lagene og NKL 1985-1994, del 3.1.1.0* (Oslo: Norges Kooperative Landsforening, 1985), p. 7.

³³⁵ These were situated in Stavanger, Drammen and Sarpsborg., see E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), p. 442-6).

³³⁶ Norges Kooperative Landsforening, *Annual report*, p. 6.

³³⁷ As we recall, in 1980 the similar figure had been 2.5 per cent. The figure for 1990 is adopted from Norges Kooperative Landsforening, *Annual Report 1990*.

³³⁸ Interview, Knut Værdal, 16 December 2002.

the building in which the new store was established, while the retail society owned the actual store and was responsible for running it. The national association also participated by providing general administrative and managerial support. This model of joint action developed by the Norwegian co-op movement was decisive in securing the finances, facilities and administrative skills necessary to develop a competitive chain of co-operatively owned hypermarkets and superstores.

The many new Obs! stores established during the 1980s soon made the co-operative movement the single, dominant player in the superstore and hypermarket segment. In 1987 the retail magazine *Fritt Kjøpmannskap* reported that of the ten largest food stores in Norway, six were operated by co-operative societies.³³⁹ The largest of these was the store at Lade, recording a yearly turnover of NOK 229 million in food only.³⁴⁰ In addition, the Obs! stores in Bergen, Trondheim, Stavanger, Oslo and Fredrikstad were among the country's ten largest retail stores.³⁴¹

During the following decade the rate of expansion slowed down somewhat. By 2001 only six new stores had been established. But with a total of twenty-one stores, the co-ops continued to be by far the country's largest operator of superstores and hypermarkets. More than fifty per cent of total trade through superstores and hypermarkets was now controlled by co-operative retailers.³⁴² The Obs! superstores and hypermarkets accounted for 23.5 percent of total co-operative turnover, and close to 5 per cent of total food sales within the Norwegian market.³⁴³ On the basis of these figures alone, there can be no doubt that Norwegian co-ops had successfully managed to develop and take advantage of the opportunities in superstore and hypermarket retailing.

Conclusions

The development of superstore and hypermarket retailing from the mid- 1960s onwards, implied yet another major challenge to the market position of co-operative trade. Again, the challenge was approached differently by the Norwegian and British consumer co-operatives. In Norway, the development of superstore and hypermarket retailing turned out to be more or less

³³⁹ 'OBS- og Domus-butikkene dominerer stadig mer, 6 av de 10 største', *Fritt Kjøpmannskap* (March 1987).

³⁴⁰ Or roughly £21 million. Based on figures from 1985, this constituted approximately half of the total turnover of the store, see Varehusforeningen Domus, *Årsmelding og Regnskap 1985*, p. 4.

³⁴¹ Note that the store in Fredrikstad was not a hypermarket/superstore but a centrally located, multi-level department store operated under the Domus brand.

³⁴² K4, anteroom of the administration, figures developed by AC Nielsen for the 'Consulting Group and Coop NKL', 24 January 2006

³⁴³ Figures from K4, anteroom of the administration, 'figures developed by AC Nielsen for the Boston Consulting Group and Coop NKL', 24 January 2006 and Norges Kooperative Landsforening, *Annual Report 2001*.

completely dominated by the co-op movement. The establishment and rise of these large retail formats helped to further secure the market position of co-operative trade and to sustain its competitiveness and overall profitability. In the UK by contrast, the development of the hypermarket and superstore formats became the ultimate step whereby private multiple retailers bypassed the co-ops as the country's leading food retailers. During the 1970s the co-ops had taken a leading role in introducing the superstore and hypermarket type of trading in the British market, but by the mid- 1990s they were forced to sell off their large- scale trading units and focus their grocery business in convenience stores and medium sized supermarkets. The present chapter has described this divergent development and analysed how it may be explained.

A major reason for the divergent development observed can be related to differences in how the co-op's major competitors approached the prospects of large- scale retailing. In Norway, private retailers to only a limited extent sought to explore the potential in hypermarket and superstore retailing. In the UK by contrast, superstore and hypermarket development became 'the critical arena of competition between major food retailers' as retail geographers Neil Wrigley and Michelle Lowe put it.³⁴⁴ The UK co-ops failed to contend with these developments. Clearly, the world class efficiency of retailers such as Tesco and Sainsbury's would have been hard to handle for any retailer. The fact that no competitors with strengths anywhere close to that represented by these retailers were present in Norway is an obviously important factor in explaining why the Norwegian co-ops could take on such a dominant role in superstore and hypermarket retailing.

Factors related to how the co-operative retail societies actually approached the challenge of superstore and hypermarket retailing also need to be considered of major importance. In Norway, the co-ops developed their large stores in a coordinated effort, comprising both local retail societies and the national association and agreeing on a common brand and mode of operation. From the very beginning, Obs! was launched as the co-operative large- scale brand. Even if the two first large- scale stores were established by two different retail societies in two very different parts of the country, they operated their stores according to a similar formula and under a similar brand. During the process of further expansion, cooperation between the local retail societies and the NKL was widespread. Truly, many of the stores established during the 1980s ran into profitability problems. But as the stores were planned and operated in concert between the retail societies and the NKL, viable problem solving was readily available and the long- term competitiveness of the stores could more easily be restored. And at the turn of the

³⁴⁴ N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), p. 32.

millennium the co-op movement still controlled the majority of superstore and hypermarket trade within the Norwegian market.

In the UK by contrast, the development of co-operative superstores and hypermarkets was characterised by a fundamental lack of national cooperation. The movement did manage to open some of the first and largest hypermarkets in the country, but as in the previous case of self-service and supermarket trading, major problems soon arose in the actual running of the stores. Stores were established and run on principles decided singularly by each responsible society. Well-functioning structures of managerial, financial and operational support comprising local retail societies and national federations were also generally wanting. The consequence was overall that the established stores failed to live up to their full potential. In many cases, they instead drained the responsible societies of capital and thus added to the decline experienced by the movement since the late 1950s.

A major consequence of the UK co-op's failure to compete in the superstore and hypermarket segment, was that the large majority of the retail societies decided to focus their trade in smaller convenience stores and medium sized supermarkets. The operational rationale was to concentrate trade in one distinct market niche and thus to create a more coherent and unified image of co-operative trade. The Norwegian movement by contrast, being more successful in hypermarket retailing, as well as in other segments such as supermarkets and soft discount stores, came to rely on a diversified strategy, operating everything from small stores in rural districts, to city centre supermarkets and out of town hypermarkets. Hence, while the UK co-ops decided to focus on being the best in one market segment, Norwegian co-ops continued to compete in many different segments.

These development patterns reflected a broader process of transformation occurring within the food retail industry in the last quarter of the 20th century. The dominant food retailers, from being solely focused on developing larger and larger stores, started to turn their attention towards other segments of the market. Gradually, these retailers sought to operate a multitude of different formats, and they capitalised not only on the advantages of scale, but also on the advantages of being present in many different markets. This development and how it was approached by the co-operative movement in the UK and Norway will be explored in full in the next chapter.

Chapter 5: The coming of the multi-format retailer

By the turn of the millennium, food retailing in Norway and the UK looked very different from how it had looked fifty years earlier. The number of stores had been dramatically reduced, while their average size had been drastically enhanced. The independent store, owned and run by individual shopkeepers single-handedly, had been replaced by stores owned and run by large national retail chains. These chains controlled a substantial number of stores spread across the country in which they operated. The different stores were run according to standardised operational procedures and marketed under similar, national brands. As such, the food retail market had moved from being fragmented and heterogenic to becoming standardised and structured around a similar pattern of strategies and operational ideals.

In store development specifically, the order of the day throughout the post-war period had been to increase the average floor space in order to exploit the economies of scale in selling. After self-service had been introduced and accepted, the possibilities of scale in selling had first been exploited through the introduction of the supermarket. The next step was the introduction of the edge of town and out of town superstores and hypermarkets. The main competitive attractions of such large stores were the convenience of one stop shopping and the ability to offer substantial price reductions. In the UK, major retailers such as Tesco and Sainsbury's transferred the majority of their trade to the superstore and hypermarket format. In Norway, a similar if less marked pattern occurred. The superstore and hypermarket formats gained a much smaller share of the market than in the UK. But Norwegian retailers also exploited the advantages of scale in selling and the average size of food stores grew continuously throughout the post-war period.³⁴⁵

The one-sided focus on scale in selling was, however, gradually to be supplemented with a stronger focus on market related factors. Already from the 1980s onwards retailers across Western Europe had started to reassess their view of the food market. Traditionally, the food retail market had been treated as a single, coherent market. This view was now about to change. Increasingly the view was held that consumers could no longer be treated as a singular group

³⁴⁵ For figures, see E. Røsrud, *Dagligvarefjebundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringsens Hovedorganisasjon, 2003), pp. 19-21.

holding similar attitudes and expectations towards the food retailers. Rather, they had to be treated as belonging to different market segments. Some consumers preferred low prices, others were more concerned with the quality of the products sold, yet others were attracted by convenience. In order to secure further influx of trade it was deemed necessary to develop store formats specifically adapted to these different types of consumers. Retailers simply needed to rely less on basic structural features such as their market power or their ability to realise economies of scale and become more market-oriented.³⁴⁶ In particular, stores needed to be adapted to the characteristics of the different consumer segments for which they sought to cater. A major question for food retailers approaching the 1980s and 1990s was thus what kind of strategies were best suited to handle these transformations.

Simply put, two different strategic approaches were followed. Some retailers preferred differentiation. This implied that they focused their trade in one distinct segment, and turned all their energies towards developing first hand knowledge of this particular segment. Other retailers chose a strategy of diversification. This implied that they sought to cater for all or a variety of segments and developed stores of varying size, location and operational principles.³⁴⁷ Both in the UK and in Norway, this was the strategy ultimately chosen by the largest and most dominant retailers. Hence, from the mid- 1990s onwards, major British retailers such as Tesco and Sainsbury's began a strategy of diversification, opening outlets ranging from petrol station forecourt shops and city centre stores to large hypermarkets of 80, 000 square feet or more. In Norway, three of the four major retail groups came to rely on a diversified structure of stores destined to serve different segments of the market.³⁴⁸ Hence, from a situation where the dominant retailers simply sought to focus their operations in larger and larger stores, towards the end of the twentieth century they increasingly came to rely on a so-called multi-format strategy. This process of retail diversification represented a final step in the post-war transformations of the dominant operational practices of the food retail industry. It also represented yet another challenge to how the co-operative societies operated their food retail stores.

Again, the co-operative movements of UK and Norway approached this challenge differently. As indicated in the previous chapter, the British co-operatives from the mid- 1990s onwards increasingly defined themselves as community retailers focusing their food trade

³⁴⁶ See S. F. Slater and J. C. Narver, 'Market orientation, customer value, and superior performance', *Business Horizons*, March-April (1994). For a broader introduction to the concept of market orientation see S. Singh, *Market Orientation, Corporate Culture and Business Performance* (Aldershot: Ashgate, 2004)

³⁴⁷ For a short overview, see L. Sparks, 'Being the best? Co-operative retailing and corporate competitors', *Journal of Co-operative Studies*, 35:1 (2002), 7-26.

³⁴⁸ These were Norgesgruppen, ICA/Haakon and the co-operative movement. The fourth major retailer, the Rema 1000 group, focused strictly on the soft discount segment.

exclusively in convenience stores and medium- sized supermarkets.³⁴⁹ So, rather than diversification, the strategy chosen by their major competitors, the co-ops sought differentiation in one distinct segment. As formulated by retail analyst and co-operative commentator Leigh Sparks, they decided to leave ‘a big market to other players and focus[ing] ... on a smaller market segment through a particular format.’³⁵⁰ While the overall strategic rationale was to increase the profitability and competitiveness of the retail societies, the strategy unavoidably caused further loss of market share. And as the major competitors gradually started to move into the convenience segment, the competitiveness of the co-ops within this segment was also drastically challenged. Hence, the trend of declining market share and weakened competitiveness characteristic of British co-operative trade since the mid- 1950s continued. The Norwegian story was different. In Norway, the co-operative societies pioneered the principles of multi-format retailing. In the mid- 1980s, the Norwegian Co-operative Association (NKL) outlined a process whereby co-operative stores were to be reorganised into specified formats, targeting different consumer segments. By the mid- 1990s four distinct formats had been developed. These ranged from small, community stores, and inner city discount stores and supermarkets, to edge of town and out of town superstores and hypermarkets. By the turn of the millennium, three of these four formats were market leaders in their specific segment. The ultimate result of this development was that the overall market position of co-operative trade had been further secured.

The following chapter will analyse this divergent development in more detail. It specifically explores why the UK co-ops ultimately chose a strategy of differentiation while the Norwegian movement chose a strategy of diversification into different segments. It also discusses how these different strategic choices may have worked to further reinforce the divergent economic development of the two movements.

The small store problem and the development of the convenience format in the UK co-ops

By the beginning of the 1980s the UK co-operative movement operated a total of 6,000 food stores. Of these 43 were superstores or hypermarkets and 1,765 were supermarkets. In addition, the movement operated more than 4,000 smaller specialist food stores, including grocery self-

³⁴⁹ See chapter four in the present thesis.

³⁵⁰ L. Sparks, ‘Being the best? Co-operative retailing and corporate competitors’, *Journal of Co-operative Studies*, 35:1 (2002), 19.

service stores, butcheries and greengrocers.³⁵¹ The stores were owned and operated independently by individual retail societies. They traded under numerous different names and according to a diverse set of operational principles.

This operational structure caused two major worries within the movement. The first concerned the continued reliance on the small store. The second was related to the dispersed character of the many co-operative stores, operating as they were in many different markets and under numerous different trading identities. These two worries came to shape how the co-operative movement in Britain reacted to the increasing focus on segmentation and market-orientation within the food retailing industry in the 1980s and 1990s and specifically how they approached the development of multi-format retailing.

While co-operative societies had made important inroads into superstore and hypermarket retailing in the 1970s and 1980s, the movement remained primarily in the small store business. This was the case even though the movement had closed down more than 17,000 stores since the end of the 1960s.³⁵² Between 1968 and 1982 on average more than four shops had been closed down every week day, with the result that three out of every four food stores closed.³⁵³ Despite this drastic reduction in the number of stores, by the beginning of the 1980s the movement continued to rely primarily on small stores. In 1982, 75 per cent of co-operative food stores were in this category. That is, they were smaller than a regular supermarket.³⁵⁴ Their main competitor Asda by comparison operated 82 outlets at this point, of which none were small stores. Another major competitor, Tesco, had transferred 70 per cent of their stores into the larger formats. As for Sainsbury's, of the 253 stores operated, almost 90 per cent were large supermarkets trading at an average selling space of 17,000 square feet.³⁵⁵

The main problem with the co-op movement's continued reliance on the smaller formats was simply that these stores were outperformed by the larger stores. The smaller stores traded at much higher relative costs and they were unable to offer competitive prices. They were also unable to offer the convenience of one stop shopping. As the consumers increasingly preferred

³⁵¹ Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1982), p. 14.

³⁵² Counting all stores in operation, not only food stores. Figures taken from J. Bamfield, 'Rationalization and the Problems of Re-positioning: UK Co-operatives Caught in the Middle', in Gerry Johnson (ed.), *Business Strategy and Retailing* (Chichester: John Wiley & Sons, 1987), p. 158 and Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1982), p. 20.

³⁵³ R. Byrom, 'A future for Consumer Co-operation in Britain? Retreat or Recovery?', *The Society for Co-operative Studies*, 46 (1982), 46-51.

³⁵⁴ Small stores are here regarded as all stores not included in any of the categories 'superstore', 'major supermarket' or 'supermarket'. Included in the small store figures are also specialised food stores such as butcheries, greengroceries, bread and confectionaries and stores selling beer, wine and spirits. Figures are estimated from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1982), p. 20.

³⁵⁵ Figures adopted from T. E. Stephenson, 'A future for Consumer Co-operation in Britain? Co-operative retailing – what next?', *The Society for Co-operative Studies*, 46 (1982), 20-8.

to shop in larger stores, the smaller units lost market share. Ultimately, the level of trade necessary to sustain a profitable business was no longer obtainable.

Traditionally, the problem of the small store had been solved simply by closing it down and trying to transfer the remaining trade to a larger unit. As already seen, the co-ops had closed down a substantial number of small stores from the late 1960s onwards. But this strategy of closing down the smaller stores was not a viable option in the long run, especially when the trade was not sufficiently replaced in a larger, more efficient store catering for the same market. As had been noted by Co-operative Retail Services (CRS) director David Hutton in a 1978 article in the *Co-operative Review*: 'Just to close down small shops without replacing them with a larger floorspace in more efficient units is the way to disaster'.³⁵⁶ Hence, there was an acute need to find an alternative strategy capable of reinvigorating the trading performance of the small co-operative stores.

In the spring of 1984 a separate research unit was established within the Co-operative Wholesale Society's (CWS) retail planning group to investigate the 'small store problem'.³⁵⁷ The formation of the unit was based on a CWS board decision to investigate the so-called convenience store concept as 'a possible opportunity for profitably extending the life of certain small Co-op stores'.³⁵⁸ The convenience store was a store format proving to be increasingly popular in the British market. It traded on a selling space of about one thousand to three thousand square feet. It was located in areas with a large residential population and high rate of traffic flow, operating on extended opening hours with a wide (but shallow) stock range of high quality products. The objective of the CWS group was to investigate the possibilities of introducing the convenience format within a co-operative context. As a pilot project, the group set up four trial stores in the cities of Manchester and London, named Late Late Supershops. After only one year of trading the stores had on average almost doubled their sales.³⁵⁹ The conclusion of the group was clear, the transfer of trade to 'the particular type of grocery-based convenience store developed for this project can produce a considerable increase in trade'.³⁶⁰

The CWS project clearly indicated that the convenience format held substantial economic potential. This was, however, not something entirely new to British co-operators. Already in 1968 the possible viability of the format had been reported in an article in the *Co-operative Review*.

³⁵⁶ D. Hutton, 'Large and small food shops', *Co-operative Review*, 43:12 (1978), 1.

³⁵⁷ An expression commonly used to describe the problem, e.g. G. Walker, 'The late late supershops', *Journal of Co-operative Studies*, 55 (1985), 12-14.

³⁵⁸ G. Walker, 'The late late supershops', *Journal of Co-operative Studies*, 55 (1985), 12.

³⁵⁹ The trial stores were set up by converting four existing, small stores. *Ibid.*, 12-13. See also G. Walker, 'Looking at the future options', *Co-operative Marketing and Management*, 11:5 (1986), 4-6.

³⁶⁰ G. Walker, 'The late late supershops', *Journal of Co-operative Studies*, 55 (1985), 13.

Referring to the recent success of such stores in the US, as well as ‘some recent market research’, the author Frank Rogers noted that ‘not all housewives want to shop in supermarkets with their big displays, bright lights and chromium plate. They do not even always want to save a copper or two here and there. What they want, more often than not, is a convenient supply point for popular necessities. Somewhere they can pop out for a few minutes rather than for a few hours.’³⁶¹ On these grounds Rogers suggested that there had to be a ‘great opportunity for the Co-op in the smaller, more intimate local shops’. A similar attempt to spur co-operative interest in convenience retailing was made ten years later when the CRS national food manager, D. Abbotts, in article in the *Co-operative Marketing and Management* suggested that convenience stores might be the answer to the pressing need for revitalising the small shop sector.³⁶² According to Abbotts it was impossible for the smaller stores to compete on the price and stock range of the larger units. Therefore, they had to be ‘re-vamped and given a new image to meet effectively the other factor rated very highly by the housewife – convenience’.³⁶³ In 1982, on similar lines, Gordon Harrington, the marketing manager in the CWS food marketing group, had suggested that convenience retailing was ‘another area that must be increasingly explored’ if the small stores of the movement were to have a viable future.³⁶⁴

But not much had come out of these assertions. Gradually, however, and as the practise of just closing down the smaller stores was increasingly questioned, the possibility of transferring small store trade to the convenience format increasingly resonated in the movement. The work of the CWS retail planning group was only one indication that the interest in convenience retailing was about to take off within the movement. Parallel attempts had also been made by existing retail societies. Already in 1982 the Cumbrian Society had experimented with the convenience format, re-launching an existing small store under the 8 till 8 banner. The store opened longer hours than usual and traded a wider stock range. The overall result was a considerable increase in sales.³⁶⁵ The United Co-operative Society, operating in the North West of England, had by 1986 transferred 30 shops into their new conveniences concept named Late Shop.³⁶⁶ Plans had also been made for the conversion of another 130 neighbourhood stores into the convenience format. Similarly the large Leicestershire Society had in the same period converted several stores to a convenience format named All Hours. In both societies, the general experience was increased

³⁶¹ F. Rogers, ‘Small shop – big future?’, *Co-operative Review*, 32:12 (1967), 5.

³⁶² D. Abbotts, ‘True need for revitalisation’, *Co-operative Marketing and Management*, 2:7 (1977), 10-11.

³⁶³ *Ibid.*, 11.

³⁶⁴ G. Harrington, ‘A future for small stores?’, *Co-operative Marketing and Management*, 7:7 (1982), 14.

³⁶⁵ *Ibid.*, 14-15.

³⁶⁶ The remaining part of the paragraph is based on J. Birchall, *Save Our Shop: The fall and rise of the small co-operative store*, (Manchester: The Co-operative Press Limited 1987), pp. 79-88.

turnover. In United, the stores on average saw a turnover increase of 50 per cent. In the Leicestershire society the increase was a little less spectacular. Still, the first six stores opened experienced an average rise in turnover of 26 per cent.

The experience of the CWS pilot project, as well as the positive results of the conversions made by independent retail societies, was evidence that the convenience format might serve as a possible solution to the co-operative small store problem. Overall developments in the industry also indicated that the future for the small store was perhaps not so bleak. The general pace of decline in the small store segment had in fact been reduced in the early 1980s and in 1984 sales through small grocers increased marginally.³⁶⁷ Specialised, small-scale retail groups such as Spar, Mace, Seven Eleven and Circle K were also about to become firmly established within the UK market. According to Johnston Birchall, who had investigated the prospects of small shop retailing within the co-op movement on behalf of the Society for Co-operative Studies, there were several indications that a specific market for small, conveniently located stores was about to develop alongside and complementary to the large scale units.³⁶⁸ On these grounds, he concluded that the convenience segment was an untapped opportunity for solving the small store problem and revitalising co-operative retailing. As he put it: 'the concept of the convenience store gives hope of a real revival in small shop retailing, which could ensure the pursuit of both business and social goals at the same time.'³⁶⁹ The remaining question was, however, whether the co-ops, still with over 3,000 small shops, would be able to 'take advantage of the new trend, or simply provide more closed shops for the competition to re-open.'³⁷⁰

In the years immediately following the report from Birchall, the transfer of trade to convenience retailing continued to proceed. By 1987, twelve retail societies were reported to have significant involvement in the convenience segment.³⁷¹ It was estimated that, altogether, these societies operated an approximate of 846 convenience stores. This represented no less than 20 per cent of the total number of food stores operated by the co-operative movement.³⁷² Two years later the general report on the performance of the consumer co-operative movement, presented in the *Yearbook of Co-operative Enterprise*, noted how substantial investments had been made in the convenience segment and that 'the movement's desire to continue to serve those who perhaps

³⁶⁷ This according to J. Birchall, *Save Our Shop: The fall and rise of the small co-operative store*, (Manchester: The Co-operative Press Limited 1987).

³⁶⁸ *Ibid.*

³⁶⁹ *Ibid.*, p. ix.

³⁷⁰ *Ibid.*, p. 13.

³⁷¹ These were Cambridge, Central Midlands, CRS, CWS, Cumbrian, Leicestershire, North Eastern, Northwest, Oxford and Swindon, Portsea Island, South Midlands and United Co-operative Society, see Co-operative Union Ltd, *Report on convenience stores* (Manchester: Co-operative Union Ltd, 1988), p. 18.

³⁷² *Ibid.* and on Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1987).

have neither the mobility nor the financial ability to make weekly or even monthly shopping' had led to a 'revitalisation of older smaller shops into brighter more cheerful units.'³⁷³ Overall trading figures also indicated that the ongoing attempts to revitalise the smaller units had indeed made some positive impact on the economic development of the movement. In the latter half of the 1980s, market shares stabilised and by 1990 the profitability of the movement as a whole reached its minimum target of 2.5 per cent of sales.³⁷⁴ Reporting on these figures in a 1990 edition of the *Journal of Co-operative Studies*, A. L Cook suggested that the stabilisation of market shares was 'probably due to the rapid shift to "Late-Late" type trading, coupled with some investment in superstores'.³⁷⁵

The convenience format had thus proven to be a possible solution for solving the challenges of the small store. Several societies had transferred parts of their grocery trade to the new format, and they had experienced very positive trading results. But, despite its immediate success, convenience retailing remained only one out of many types of food retailing operated by the co-ops. Indeed, an analysis of the movement's overall store pattern in terms of square feet showed that in the period from 1980 to 1991, the small store's share of total floor space was in fact further reduced, from 63 to 45 per cent. In 1989 alone only one out of twenty-five new openings was less than 2,000 square feet. In the same year six superstores exceeding 25,000 square feet were opened.³⁷⁶ It is also evident that the venture into convenience retailing remained fairly uncoordinated. In 1987 co-operative convenience stores were run under no less than nine different names, such as Late Shops, The Late Late Supershop, Stop and Shop, Early Til Late, Eight Til Eight, All Hours, Vista and Open Later Savers.³⁷⁷ As such, while the development of convenience retailing had given some hope that the small store problem could be solved, the uncoordinated approach taken when introducing the format had rather worked to reinforce the second major worry of the movement, namely that of its dispersed and fragmented character.

³⁷³ G. Pratt, 'Consumer Co-operatives', *Yearbook of Co-operative Enterprise*, (1989), 150.

³⁷⁴ In 1990 it was in fact 2.7 per cent, see Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1990/1991), p. 1.

³⁷⁵ A. L Cook, 'Some reflections and projections', *Journal of Co-operative Studies*, 69 (1990), 11.

³⁷⁶ Estimates based on Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years).

³⁷⁷ Co-operative Union Ltd, *Report on convenience stores* (Manchester: Co-operative Union Ltd, 1988), p. 18.

Towards a strategy of differentiation in the British co-operative movement

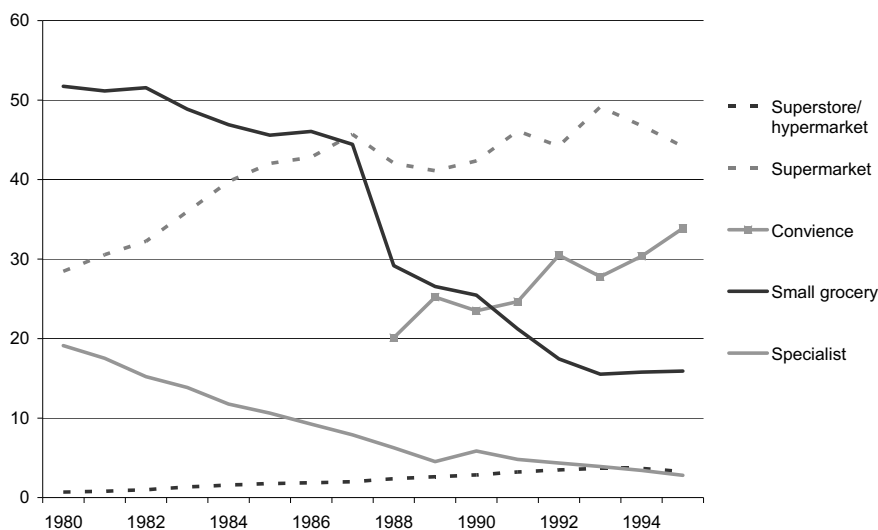
Co-operative commentators, leading co-operative managers and elected officials had long been complaining that the trading structure of the co-operative movement as a whole was too fragmented. For example, in a forceful presidential address to the 1984 Co-operative Congress, Gladys Bunn had complained that the movement was in total lack of 'a national development strategy'.³⁷⁸ Instead, most stores had been developed 'on an individual hit and miss basis', where 'each society has had to learn for itself', causing the creation of 'a ridiculous variety of trading identities.' Indeed, as we recall from the previous chapter, in the hypermarket and superstore segment, brands ranged from Rainbow, Leo, Normid, Domus, Beehive and Five Ways to Shopping Giant, Scotmid and Co-op Plus. And as we have just seen, in the convenience segment the picture was already becoming identical. Fragmentation of profile and branding was also the case in the other major segments where the co-ops traded. Further fragmentation was caused by the fact that the movement continued to operate in many different segments of the food retail market. While running the large majority of small corner shops in the country, the co-ops were also present in the supermarket, hypermarket and superstore segments. Repeated suggestions were made that the co-ops needed to focus their trading activities and 'identify a market niche in which, within their limits, they can operate.'³⁷⁹

The fragmented character of co-operative trade was thus related both to the inclination of the retail societies to operate in many different segments of the market and the fact that co-operative stores were run independently by each individual society and subsequently also under numerous trading identities. The experiments with the convenience format in the 1980s had not solved these problems. Rather, as the following figure illustrates, it had added to the tendency for the co-operative food trades to be spread across numerous different trading formats.

³⁷⁸ Co-operative Union, *Annual report and financial statements, Congress proceedings. The 115th Annual Congress of the Co-operative Union Ltd. held in the Opera House, Blackpool, from May 27 to 29, 1984* (Manchester: Co-operative Union, 1984), p. 55.

³⁷⁹ T. E. Stephenson, 'A future for Consumer Co-operation in Britain? Co-operative retailing – what next?', *The Society for Co-operative Studies*, 46 (1982), 20-8.

Figure 5.1: Different stores formats' share of total food trade, UK consumer co-operatives 1980-1995³⁸⁰



By the late 1980s, increasing attention was on the need to seriously deal with this problem. The question was how. From the outset, most of the leading co-operative commentators and officials participating in the debate argued that the only realistic option for the co-op was to focus its food trade in one or a few segments. A persevering advocate of such a view was management lecturer and co-operative consultant Ted Stephenson. Throughout the 1980s and early 1990s Stephenson repeatedly argued the need for the co-ops to 'do what they're best at', identify a 'target customer' and 'determine its priorities'.³⁸¹ According to Stephenson it was futile to continue trying to fight the major retailers on their own ground. The movement needed to use its resources to be best in a chosen field.³⁸² To fight the tendencies of fragmentation the movement simply needed to make a choice about which markets it should operate in. On similar lines, co-operative analyst Desmond Hopwood noted how 'the gradual decline in co-operative grocery market share may continue because so many societies ...tend to compete in too many distinct markets relative to their size: large out-of-town superstores, traditional high Street supermarkets, neighbourhood

³⁸⁰ Co-operative Union Ltd, *Co-operative statistics* (Manchester: Co-Operative Union Ltd, selected years).

³⁸¹ See T. E. Stephenson, 'Societies should do what their best at', *Co-operative Marketing and Management*, 12:1 (1986), 8-10; T. E. Stephenson, 'Where are we going... and how?', *Co-operative Marketing and Management*, 12:5 (1987), 4-5.

³⁸² T. E. Stephenson, 'Co-operative trade 1990. Reflections and projections', *Journal of Co-operative Studies*, supplement to 71 (1991), 19-25.

supermarkets, and still also operate many small corner-shop type premises'.³⁸³ The point made by Hopwood was essentially that the diversified structure of stores operated by the movement was a major reason for the movement's continuous decline. Rather than being the best in one or a few segments, the movement had ended up being mediocre players in all segments. Similar to Stephenson the underlying message was therefore that the movement needed to focus its trading activities.

The warnings of Hopwood and others were gradually resonated in the movement. Hence, in the autumn of 1996 the United Northwest Society announced that they were obliged to focus more trade in their 'Late Shop' convenience chain and that there were 'certainly no new plans to build any more superstores'.³⁸⁴ A few weeks later, the *Co-operative News* also reported on how the Portsea Island society had sold its Havant hypermarket to Asda, reasoning that the store was 'no longer a central part of ... [the society's] plans for the future'.³⁸⁵ Indeed, following a 'full and thorough strategic review' the society, as the CEO of the society Graham Bonnets stated to the *News*, had defined their 'strength and strategy for the future as being our presence at the community level.' Then, in 1997 the largest retail society of the movement, the CWS, announced that, after a 'major strategic review', they had decided to abandon the superstore and hypermarket segment all together and 'identified [their] particular strengths as being in conveniences stores and supermarkets'.³⁸⁶ The decision marked the ultimate step whereby the large majority of the movement were to embark on a major strategic reorientation, focusing more exclusively on the smaller store formats.

In the following few years, most retail societies were to follow the examples of United, Portsea and the CWS. Large supermarkets, superstores and hypermarkets were sold off and trade was focused in the smaller segments. A few more examples may illustrate the point. In the autumn of 1999 the Scottish Lothian, Borders and Angus Co-operative Society exchanged its superstore in Galashiels for three Tesco supermarkets situated in Kirriemuir, Carnoustie and Dunbarwas.³⁸⁷ At the same time the society announced that they saw their main trading platform in 'regional town centre locations from smaller premises'.³⁸⁸ A few months later it was announced that the West Midlands Co-operative Society had sold their superstore in Rookery Street, Wednesfield to Sainsbury's. The transaction marked, as CEO of the society Ben Reid told the

³⁸³ D. Hopwood, 'Light in the UK retail co-operative labyrinth?', *The World of Co-operative Enterprise*, (1995), 229-30.

³⁸⁴ 'Small is beautiful', *Co-operative News* (1 October 1996).

³⁸⁵ 'Hypermarket sold to Asda', *Co-operative News* (29 October 1996).

³⁸⁶ Co-operative Wholesale Society, *Annual Report 1997*, p. 6. See also chapter four in the present thesis.

³⁸⁷ Co-operative Union Ltd, *Congress Proceedings 2001* (Manchester: Co-operative Union Ltd, 2001), p. 55; 'Superstore goes in unique "swap" deal', *Co-operative News* (17 August 1999).

³⁸⁸ 'Superstore goes in unique "swap" deal', *Co-operative News* (17 August 1999).

News, ‘the final phase in our move away from superstores.’³⁸⁹ Similarly, the Ipswich and Norwich Co-operative Society sold their 78,000 square feet hypermarket in Sproughton Road, Ipswich to Wm. Morrison Supermarkets. The sale was, in the words of CEO William Brown, destined to enable the society ‘to concentrate on our core business of community food stores in local centres.’³⁹⁰ A little more than a year later, the Plymouth and South West Co-operative Society similarly announced that it had taken the final step in its move away from large store trading as it had sold the last remaining Plymco superstore to Tesco. Again, the announcement of the CEO underlined how the sale was the result of a thorough strategic review destined to provide the society with a more coherent trading profile: ‘Our food retail strategy is based on community retailing through smaller convenience stores and this sale will enable us to concentrate on that key objective’.³⁹¹

The tendency was clear, after having attempted to operate in all the major segments of the market, the British co-operative movement from the mid- 1990s onwards departed on a strategy of differentiation. The movement had defined convenience and medium sized supermarkets as their core market and more and more societies focused their food trade within this segment. Indeed, some societies even expanded their share of the convenience trade by acquiring existing, private chains. Hence, in 1997 the United Co-operative Society bought the entire Hanburys chain consisting of 31 convenience stores. 18 months later it was announced that the society had also acquired the family owned Nevins chain based in St. Helens, Merseyside. Altogether, in the two year period from 1996 to 1998 the society bought a total of 70 convenience stores.³⁹² On similar lines, the Co-operative Group – a merger between the CWS and the Co-operative Retail Services (CRS) – in 2002 acquired all the 630 stores operated by the Alldays chain.³⁹³ The acquisition turned the newly formed retail society into the largest operator of convenience stores in the country.³⁹⁴

By 2002 the consumer co-operative movement in the UK had more or less completely moved out of large- scale retailing. As figure 5.2 illustrates, superstores now accounted for less than 1 per cent of all stores in the movement, while more than 50 per cent of the stores operated were in the convenience segment. The remaining 49 per cent were supermarkets.

³⁸⁹ ‘Superstore sales are continuing’ *Co-operative News* (16 November 1999).

³⁹⁰ *Ibid.*

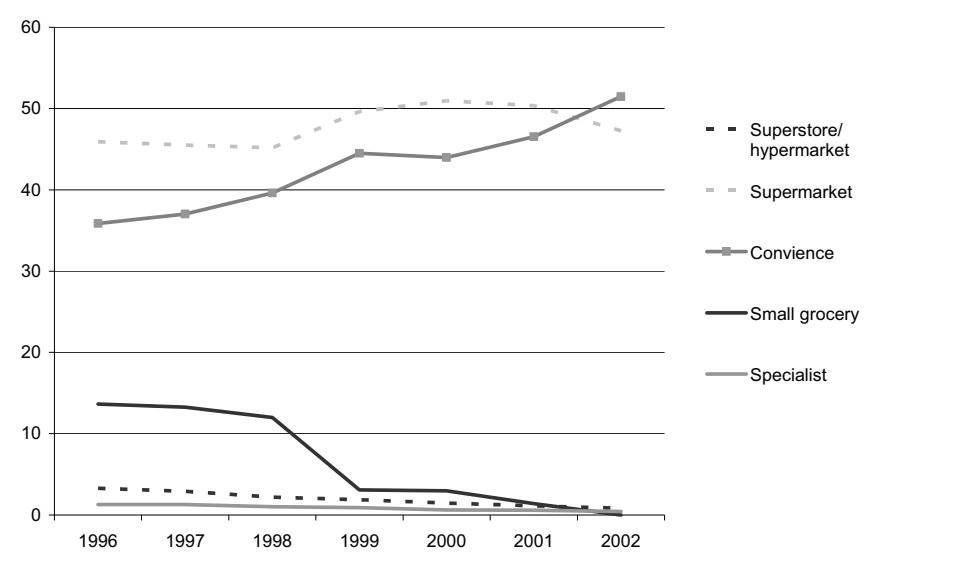
³⁹¹ ‘End of an era as Plymco sells of last superstore’, *Co-operative News* (13 January 2001).

³⁹² ‘More links in United chain’, *Co-operative News* (17 November 1998).

³⁹³ ‘Co-op group pays £131m for Alldays’, *Co-operative News* (2 November 2002); The Co-operative Group, *Annual report and accounts 2002*, p. 9.

³⁹⁴ On the creation of the Co-operative Group, see chapter seven in the present thesis.

Figure 5.2: Different stores formats’ share of total food trade, UK consumer co-operatives 1995-2002³⁹⁵



The actual effect of this development was that the movement had successfully managed to focus its food trading activities in fewer segments. Small stores had been closed down or transferred to the convenience format while the large stores had been sold off, most of them to competitors. As such, the strategy of differentiation had been successfully implemented. The remaining question was, however, whether this strategic move could restore the profitability of the movement and break off the trend of market decline that had hampered co-operative food retailing since the 1950s.

The initial impression was clearly positive. In the period from 1997 to 2002 overall profitability within the movement as estimated by trading profit in per cent of turnover rose from 1.9 to 2.8.³⁹⁶ While this still remained below those of the major competitors, it at least indicated that at a positive trend had been induced. The positive experiences in convenience retailing also seem to have given a boost to co-operative morale and provided the movement’s representatives with a new sense of purpose. In 2002 The Co-operative Group was voted multiple retailer of the

³⁹⁵ Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years).
³⁹⁶ Turnover including VAT, trading surplus after depreciation charges (Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years).

year at the British Retail Industry Awards, according to the *Co-operative News* the 'highest accolade' available in the industry.³⁹⁷

At the same time, by deciding to leave the dominant superstore and hypermarket formats to other players, the movement could not prevent the trend of declining market shares from continuing. Indeed, the period between 1995 and 2002 alone saw a reduction of another 20 per cent, from a 7.2 to a 5.8 share.³⁹⁸ More problematic, however, was that the competitiveness of the co-op in the convenience segment was soon challenged by the large multiples. The strategy of focusing all co-operative food trade in the smaller segments had been initiated exactly at a time when competing retailers started to abandon their one-sided reliance on large stores and diversify their operations into several different market segments. The major objective of this diversification strategy was to better cater for a larger proportion of the total market. Already in 1992 Tesco had opened its first Tesco Metro store in Covent Garden, London, and gradually a separate, national chain of convenience stores located in the high street was developed. On similar lines, the smaller Tesco Express format was launched in 1994.³⁹⁹ The rationale behind both these developments was, as stated by the 1995 Tesco *Annual report*, 'to suit the varied shopping patterns of our customers.'⁴⁰⁰ By 1999 Tesco operated six different formats, from large Tesco Extra stores at an average 80,600 square feet sales area, to the small Express format averaging 2,000 square feet of selling area.⁴⁰¹ In a similar fashion, Sainsbury's in 1999 launched its 'Local' chain of convenience stores, while Marks and Spencer in 2001 launched its 'Simply Food' chain. Both retailers were determined to explore the potential of a multi-format strategy, developing their smaller convenience stores alongside the existing stores already in operation.⁴⁰² Thus, while the 1980s had seen a 'store war', where retailers raced to obtain the best available sites for out of town development, the late 1990s saw the coming of a 'format war ...with most

³⁹⁷ 'Co-op Groups scoops top retail award', *Co-operative News* (12 October 2002).

³⁹⁸ Figures taken from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years). Note that even when the market share figure for 1995 is higher than the earlier reported figure from 1993, this does not reflect an actual strengthening of co-operative market share in this period. The higher share reported for 1995 is the result of the Office for National Statistics changing the definitions of food and non-food, with consequent effect on market share calculations, see Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1995-1996), p. 2.

³⁹⁹ www.tescocorporate.com, accessed 13 December 2007

⁴⁰⁰ Tesco plc, *Annual report and accounts 1995*.

⁴⁰¹ L. Sparks, 'Being the best? Co-operative retailing and corporate competitors', *Journal of Co-operative Studies*, 104 (2002), 13.

⁴⁰² S. Baron, K. Harris, D. Leaver and B.M. Oldfield, 'Beyond convenience: the future for independent food and grocery retailers in the UK', *International Review of Retail, Distribution and Consumer Research*, 11:4 (2001), 395-414; A. Coca-Stefaniak, A.H. Hallsworth, C. Parker, S. Bainbridge and R. Yuste, 'Decline in the British small shop independent retail sector: exploring European parallels', *Journal of Retailing and Consumer Services*, 12 (2005), 357-71.

of the multiples copying (and buying up) the new convenience stores by going back to (albeit now much more fashionable) high street premises aimed at young single metro-livers'.⁴⁰³

The format war, and especially the move into convenience retailing by multiple retailers, put further pressure on co-operative trade. While the co-ops had decided to focus their operations in one segment, the multiples soon proved able to capitalise on the advantage of being present in many markets. By operating the smaller units within an integrated retail organisation also running numerous large- scale operations, substantial gains could be made for these retailers. Most importantly, the buying power and subsequent price reductions created by the large- scale operations could also be transferred to the smaller units, vastly enhancing the efficiency potential of these stores. In the long term, a major question thus remains about whether the British co-ops will manage to run their medium sized convenience stores as efficiently as the large multiples, without having the same possibilities of scale in buying which comes from the parallel running of large hypermarkets. Returning to the development of the Norwegian co-operative movement, it will soon be recognised that it was exactly this possibility that was exploited as the movement from the mid- 1980s onwards faced the challenges of segmentation and market orientation.

Developing a co-operative multi-format structure: the Norwegian development

At the NKL congress in 1980 a feeling of insecurity was clearly evident among the delegates. In his opening talk, the chairman Peder Soiland concluded that 'we live in a period with substantial political instability and realistically speaking the movement is in a dangerous situation.'⁴⁰⁴ The economic development in the three year period preceding the congress had not been satisfactory and, 'dramatic shifts in the economic climate both at home and abroad' were challenging the position of both the NKL and the local retail societies.⁴⁰⁵

The diagnosis presented by the chairman was largely to the point. The early years of the 1980s were marked by substantial changes in Norwegian and international economy and society. Most importantly, however, it turned out to be the starting point of drastic structural transformations within the Norwegian food retail industry. While concentration was already substantial at the wholesale level, at the retail level, fragmentation and dominance of independent

⁴⁰³ R. de Kervenoael, A. Hallsworth and I. Clarke, 'Macro-level change and micro level effects: A twenty year perspective on changing grocery shopping behaviour in Britain', *Journal of Retailing and Consumer Services*, 13 (2006), 386.

⁴⁰⁴ Norges Kooperative Landsforening, *NKLs 35. kongress Stavanger, 19.-22. september 1980, stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1980), p. 15.

⁴⁰⁵ *Ibid.*

units had prevailed throughout the post-war years. Apart from the co-ops, there were no national retail units operating stores under similar brands and according to similar operational procedures. Indeed, in some cities a few horizontal chains had been established.⁴⁰⁶ And the Association of Norwegian Grocers (NKLF) had launched a nationwide ‘chain’ through the establishment of what they called the “K” campaign.⁴⁰⁷ The campaign comprised a large majority of independent retailers. It was based on cooperation on such issues as store branding and marketing. But the campaign was set up under a slogan of independence. The individual stores continued to be run according to the superior authority of the store owner, most of the stores were of a limited size and they did not target a specific segment of the market.

By the coming of the 1980s, this situation was about to change. Gradually, privately owned chains with national ambitions and with stores targeting distinct segments of the market were making their presence felt. Competition was strengthening. And while the overall structure of the co-operative shops were still giving them a leading position within the Norwegian market, the changes were soon affecting the economic results of the movement. From a historical record of 26 per cent in 1976, by 1984 market share was down to 23 per cent. Within the NKL, both sales revenues and operating profits stagnated. And within the retail societies, average profits were reduced to a negligible 0.9 per cent of total turnover in 1984. Within the same period, the number of local co-operatives running into deficits more than doubled, from 88 in 1976 to 193 in 1984. This implied that almost one third of all retail societies were in fact running at a loss.⁴⁰⁸

Based on these developments it may be concluded that the major worries confronting Norwegian co-operators at the beginning of the 1980s were both similar and dissimilar from the ones experienced by the UK co-operators. Throughout the entire post-war period the Norwegian co-operatives had managed to hold a leading position in the transfer of trade to larger units.⁴⁰⁹ By 1982, while the co-ops controlled 25 per cent of the market, they controlled only 19 per cent of the stores. Hence, in contrast to the British experience, Norwegian co-operative stores were still trading a larger average turnover than the privately owned stores. The Norwegian co-ops also held a much stronger market position than their British counterparts.⁴¹⁰ At the same time, by the early 1980s Norwegian co-operators were also starting to feel the competitive pressure from a

⁴⁰⁶ See e.g. chapter three in the present thesis

⁴⁰⁷ “K” denoting the first letter of the Norwegian word ”Kjøpmann”, the same word as ”storekeeper”, see J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), p. 205.

⁴⁰⁸ Figures taken from K4, 7A.4, Document presented at the NKL administration meeting, ‘Driftsmessig/økonomisk utvikling i S-lagene. 10 års oversikt.’ 15 January 1987; NKL, *Annual Report*, selected years and Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006)

⁴⁰⁹ See chapters two, three and four in the present thesis.

⁴¹⁰ Norges Kooperative Landsforening, *Strategiplan for S-lagene og NKL 1985-1994, del 2.1.1.0* (Oslo: Norges Kooperative Landsforening, 1985), p. 5.

rapidly advancing private retail industry. Most importantly, market share was in decline and profitability was drastically weakened. Another similar feature was related to the structure and profile of the stores operated by the two movements. As in the UK, the large majority of Norwegian co-operative stores were operated under a general co-operative brand.⁴¹¹ But, generally, and again similar to the situation in Britain, the stores did not trade in line with any national standard and they operated independently of each other in terms of assortment and overall profile. Co-operative stores were operated under a variety of different names, and they did not target any specific segments of the market. Even if the severity of the situation was much more dramatic in the UK than in Norway, both movements were indeed experiencing economic challenges in the form of strengthened competition. And within both the British and Norwegian co-operative movements worries were increasing as to the competitiveness of a shop structure bearing clear signs of fragmentation and not clearly targeted towards specific segments of consumers.

The solution chosen to confront these partly shared challenges turned out, however, to be very different. While the UK co-ops had chosen to focus their trade in one distinct segment – convenience – the Norwegian co-ops decided on a multi-format strategy, diversifying their stores in four different segments. Four distinct national store brands were developed and all co-operative food stores were organised within the framework of these chains. As such, the Norwegian co-operators developed a similar structure to that of the dominant British multiples

The development towards this co-operative, multi-format structure proceeded through three distinct phases of change. The first step was taken in the 1980s. While the major concern in the UK co-operative movement throughout this decade had been how to deal with the continued reliance on the small store, the Norwegian movement was specifically concerned with how to deal with its indistinct profile. When the recently appointed CEO of the NKL, Knut Værdal, took to the podium at the 1983 NKL Congress in Oslo, one of his key messages was that the movement needed to ‘develop a better profile’.⁴¹² Specifically, he pointed to the importance of developing stores targeting different segments of consumers, because, as he stated it, ‘the average consumer does not exist.’⁴¹³ On the grounds of Værdal's strategic assertions, in the following years the NKL systematically sought to convince the retail societies of the need to coordinate a

⁴¹¹ In Norway this common brand was an orange S, denoting the first letter of the Norwegian word ‘samvirkelag’, the Norwegian word for ‘co-operative society’.

⁴¹² Norges Kooperative Landsforening, *NKLs 36. kongress Oslo, 30-9.-2.10.1983, stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1983), p. 90.

⁴¹³ Norges Kooperative Landsforening, *NKLs 36. kongress Oslo, 30-9.-2.10.1983, stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1983), p. 89.

joint transfer of their existing food trade into a selected group of more distinct formats.⁴¹⁴ All the major segments of the market should be covered and the different formats should be developed on a national scale. That is, they should hold similar names and operate on similar operational procedures across society structures. The basic goal, as Værdal had put it at the 1983 Oslo Congress, was to make sure that when consumers ‘walk around in the city of Oslo and look at a store, and then when they hear the same name when they visit Trondheim or Finmark/Troms, they ... find the same store.’⁴¹⁵

The first step towards the realisation of this strategy had been taken already in 1982 when the co-op movement launched its Prix discount stores.⁴¹⁶ The first stores were opened in Trondheim, Ålesund, Bodø, Sandefjord and Eidsvoll. They were all owned and operated by the local retail society, but they traded under a distinct, yellow profile and according to clearly specified operational procedures. Despite the reduced leverage provided to the local societies in the operation of the Prix store, several societies showed keen interest in the new concept. By the end of 1983 the movement operated twenty-seven Prix stores altogether. As such, it had become the largest chain of discount stores in the country estimated by the number of stores operated.

On similar lines, from the mid- 1980s the movement developed a separate chain of supermarkets named Mega. The first store was opened in 1987, under the ownership of Haugesund og Omland Co-operative Society. By 1989 thirteen stores had been converted to the new profile. Again, both the brand, the visual profile and the main operational characteristics of the new store type were developed by the NKL in a coordinated effort with the retail societies, while the stores continued to be owned and operated locally. A similar approach was taken in the development of the Obs! superstores and hypermarkets. As we recall from the previous chapter, the Obs! chain expanded substantially during the 1980s and by the end of the decade a total of fifteen stores were in operation.⁴¹⁷

By 1990 a total of 152 stores, or roughly 12 per cent of all co-operative stores were operated under one of the new, national store brands developed during the 1980s. Apart from the fifteen Obs! stores, 118 stores traded under the Prix logo while another 19 stores traded under the Mega brand. Taken together, these stores controlled 28 per cent of total trade in the

⁴¹⁴ Interview, Knut Værdal, 16 December 2002

⁴¹⁵ Norges Kooperative Landsforening, *NKLs 36. kongress Oslo, 30-9.-2.10.1983, stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1983), p. 90.

⁴¹⁶ This and the following paragraph are largely based on E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006), p. 432-8 and 442-6.

⁴¹⁷ See chapter four in the present thesis.

movement.⁴¹⁸ The development testifies to the obligation of the Norwegian co-operators to develop a multi-format approach to retailing and to operate stores in all the major segments of the market. It also illustrates the commitment of the movement to transfer its fragmented structure of stores into a more coherent structure, developing the same store profiles on a national scale and across society structures. Still, while the NKL had shown foresight and vision in pushing forwards these developments, lack of coordination continued to hamper the economic development of the new stores. While the store profiles had similar names and were established according to similar operational ideals, major operational functions were not coordinated. The stores operated very independently, the retail societies continued to hold the major responsibility for buying, and the development of a common assortment and national marketing remained limited. Hence, while the idea and practice of a segmented, multi-format strategy had been appreciated, its full economic potential had not been realised.

The second step towards this goal was, however, soon to be taken. In 1989 Værdal had been replaced by Rolf Rønning as CEO of the NKL. While Rønning was in favour of the strategy of segmentation advocated by Værdal in the 1980s, he was very critical of how the different food profiles had been operated in practice. According to Rønning, if the movement was to take full advantage of its segmented structure, major organisational reforms had to be implemented.⁴¹⁹ Thus, in the following years a specific focus was set on improving the relationship between the NKL as a wholesaler and the retail stores operated by the local retail societies. Gradually an encompassing structure of buying and merchandising comprising all the different store types was developed and the different store profiles were reorganised into fully integrated, standardised and centralised chain stores. In this process, the local retail societies continued to own and operate the stores, but their leverage in terms of buying, marketing and operational practises was greatly reduced.⁴²⁰ Alongside these developments, a fourth chain of local community stores was also established. It was named S-marked and comprised the smaller, local grocery stores, often situated in rural districts and also selling a substantial share of non-food products. By 1995 the chain was fully operational and run in cooperation by 8 smaller regional chains. With 714 stores and a total turnover of NOK 7.6 billion, equal to £ 760 million in 1995, the chain immediately became the largest food chain operated by the co-op movement and the third largest in the country.⁴²¹ The process of transferring the remaining food trade into

⁴¹⁸ Figures from Norges Kooperative Landsforening, *Annual report 1990*, p. 6. Note that these figures include non-food stores and non-food sales. The relative position of the three formats in the food trades alone was stronger.

⁴¹⁹ Interview, Rolf Rønning, 3 March 2005 and 22 June 2005.

⁴²⁰ This development is more fully described in chapter eight in the present thesis.

⁴²¹ Norges Kooperative Landsforening, *Annual report 1995*, p. 38.

one of the other existing chains also intensified. By 1996 the large majority of co-operative food stores belonged to one of the four national food chains now operated by the co-op movement and these chains controlled close to 100 per cent of co-operative food sales.⁴²²

The results of the reorganisation process of the early 1990s proved the economic potential of a coordinated multi-unit strategy. In an economic climate still hampered by the recession of the late 1980s and early 1990s and in a grocery retail market strongly affected by strengthened competition, operating profits were reaching levels never seen in the history of the consumer co-operative organisation. In 1995 the annual surplus of the NKL reached a historic record of half a billion NOK, equal to fifty million British pounds. Together with the local societies, total surplus reached NOK 1 billion, or 4.8 per cent of sales. By this point the movement had also regained 25 per cent market share in the food retail sector.⁴²³

The final step in the process of creating an efficient, multi-format structure of co-operative stores was taken in the summer of 2000 when the NKL launched a massive national branding campaign, introducing 'Coop' as a common brand for all co-operative stores and all co-operative societies in the country. The economic rationale behind the move was to create 'a more distinct identity and more efficient communication with the market and with the members', and to establish Coop as a 'competitive brand in Norwegian retailing, ensuring that our customers know who we are and what we stand for'.⁴²⁴ Similar to retailers such as Sainsbury's and Tesco in the UK, the brand names separating the different store types from each other were kept intact, while the new national brand, Coop, was added as a prefix. The Norwegian co-operative stores were from then on named Coop Prix, Coop Obs!, Coop Mega and Coop Marked. The major advantage with such a system was that the co-operative stores could more easily be branded similarly in broad national campaigns. Every food store operated by the various independent retail societies were linked to the Coop as one national unity. At the same time, the different trading names provided necessary independence and distinctiveness to the different stores types.

The introduction of a national 'master brand' for all co-operative enterprises helped to further improve the effectiveness of the multi-format approach. By 2002 three of the four co-operative store profiles were holding leading market positions within their respective segments. Hence, with a 44 per cent share of the market, the Coop Mega chain was the country's largest chain of supermarkets. In the small store segment, the Coop Marked chain held the lead with a

⁴²² Norges Kooperative Landsforening, *Annual report 1996*, pp. 20-4 and Norges Kooperative Landsforening, *Annual report 1997*, pp. 20-5.

⁴²³ Figures estimated from Norges Kooperative Landsforening, *Annual report 1995* and Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁴²⁴ Norges Kooperative Landsforening, *Annual Report 2000*, p. 46 and p. 6.

41 per cent share of the market, while the Coop Obs! chain totally dominated the hypermarket segment controlling more than 50 per cent of trade. The only segment the co-ops did not fully dominate was the soft discount segment. By 2002 the Coop Prix chain controlled 12 per cent of this market.⁴²⁵

The dominant position of the different co-operative chains is evidence of the successful approach Norwegian co-operators had taken to the increasing segmentation and market orientation characteristic of the late twentieth century food retail market. While the British co-ops, in meeting these challenges, had been more or less forced to focus their trade in the small store segment, with continued loss of market share as the ultimate result, the Norwegian co-operatives managed to develop a competitive, multi-format structure comprising four distinct segments. They also managed to become market leaders in three of these four segments. Being the first retailer to introduce a multi-format strategy in the Norwegian market, the Norwegian co-ops again proved their ability to catch up with the latest trends in the food retail industry and serve as innovators in their national market. As with the development of self-service, supermarket and hypermarket trading, this innovative capacity worked to further secure the position of the co-op as a leading food retailer in the Norwegian market.

Conclusions

Consumer segmentation and an increasing focus on the advantages of a market-oriented approach to food retailing caused many retailers in the last quarter of the 20th century to abandon their strict reliance on scale in selling and to develop stores of differing sizes, locations and operational principles. The development of this 'multi-format' type of retailing posed new and serious challenges to co-operative trade. This chapter has analysed how this challenge was approached by the co-operative movements in Norway and the UK. Specifically, it has explored why the UK co-ops ultimately chose to focus their food trading activities in one distinct market segment while the Norwegian movement chose a strategy of diversification into different segments. It has also discussed how these different strategic choices may have worked to further reinforce the divergent development of the two movements.

The British co-operatives met the challenges of consumer segmentation and market orientation by selling off their large stores and focusing more exclusively on convenience and

⁴²⁵ All figures taken from K4, anteroom of the administration, 'figures developed by AC Nielsen for the Boston Consulting Group and Coop NKL', 24 January 2006. The fact that the soft discount segment is by far the largest segment within the Norwegian food retail market, controlling more than 50 per cent of total trade, explains why the co-op, despite their dominant positions in the other segments, controls less than 25 per cent of overall food sales.

medium sized supermarkets. This strategic move was the combined result of a continued reliance on small stores, continuous problems of weak profitability and declining market share, and a gradually strengthened belief in the strategic principle of differentiation. The strategic decision to focus trade in the smaller segment was, however, made exactly at a time when the competing multiples were starting to abandon their one-sided reliance on large stores and to diversify their operations into several different market segments. These retailers sought to capitalise on the advantages of a multi-format approach by operating different types of stores under centralised control. This approach turned out to provide the multiple retailers with further competitive advantages. Co-operative market share continued to decline and the competitiveness of the co-op in their preferred, small store segment was put under heavy pressure.

In Norway, the story was different. Spurred by a belief in the need to develop stores with a more distinct profile, the co-operative movement from the mid-1980s onwards embarked on a strategy of purposeful diversification of the structure of their stores. Separate chains directed at distinct segments of the market were developed. The structure established was very different from the one developed by the UK co-ops, while it bore clear resemblances to the business models developed by the British co-ops' major competitors Tesco and Sainsbury's. From the early 1990s onwards the multi-format structure about to become established was further improved by introducing a centralised system of supply and developing the different store types into tightly integrated chains. By 2000 these chains were provided with a common 'master brand'. By this point the co-operative retail societies had set up the most well-developed system of multi-format retailing established within the Norwegian food retail market, dominating three out of the four segments in which they operated.

The different approaches taken to the challenge of increasing segmentation and market orientation further added to the divergent post-war development of the Norwegian and British consumer co-operatives. The development of the self-service system, of supermarket retailing and ultimately the large scale superstores and hypermarkets, had created a situation where the British co-ops had lost a substantial share of the food retail market. The challenges created by the coming of multi-format retailing further added to this trend. In Norway by contrast, the co-ops had played a leading role in the transfer of trade to large, self-serviced units. This had helped them secure a dominant position in the Norwegian food retail market. By pioneering the development and operation of a multi-format structure within the Norwegian retail sector, this market position was further secured.

A 1988-article in the British *Journal of Co-operative Studies* concluded its analysis with the following statement: "The failure of the Co-operative societies collectively to invest in new store development on a comparable scale is a major factor in the decline in market share."⁴²⁶ The first section of this thesis has dealt specifically with questions related to this statement. More precisely, it has explored how the British and Norwegian consumer co-operative movements managed to confront major transformations in the size, scope and structure of the food stores operated within the food retailing industry, and especially their ability to transfer their stores towards larger retail formats and develop a structure of shops capable of competing with the increasingly dominant multiple retailers.

The analysis has formed the first step in a three-fold process aimed at explaining the divergent development pattern of the British and Norwegian consumer co-operative movements in the post-war period. At the most general level, the argument has been that an adequate understanding of this process simply needs to take into account the dramatic changes seen within the retailing industry in terms of store development. The changes analysed have been the transformation to self-service, the rise of the supermarket, the superstore and the hypermarket formats and the development among dominant retailers of a multi-format structure of shops destined to serve different market segments. The basic premise of the analysis has been that the divergent development of the Norwegian and British consumer co-operatives in the post-war period needs to be related to differences in how the two movements approached these transformations. It has been shown how the Norwegian co-operatives, throughout the period covered, managed to hold on to a leading role in the development of new store formats, as well as in the strategy of running a diversified structure of shops. In contrast, the UK movement lagged behind their competitors. The fundamental consequence was that while the UK co-ops saw a dramatic loss in market share the Norwegian co-ops managed to grow and from the 1970s onwards stabilised their position at approximately 24 per cent of the market.

As the previous chapters have shown, the divergent development path of the Norwegian and British co-ops can partly be related to differences in the competitive climate of the two countries' retailing sectors. Already from the early 1950s onwards the UK co-ops competed with large, multiple retail chains operating on an integrated platform. Norwegian co-operators by contrast were faced with much weaker competition. The private retail industry was hampered by

⁴²⁶ F. E. Creed, 'Membership and Share Capital', *Journal of Co-operative Studies*, 61 (1988), 16.

fragmentation and lack of coordination and for many years the co-op was in fact the only large-scale retailer operating in the Norwegian food retail market. The most obvious consequence of this situation was that the Norwegian co-ops could more easily take a leading role in developing the large-scale formats. They were also in a better position to develop a competitive multi-format structure of stores. The UK co-ops were more fiercely challenged in their store development process by large and well coordinated multiple retailers and gradually they were forced to focus their operations in a limited segment of the market. It is evident that the divergent post-war development of co-operative retailing in Britain and Norway needs, in part, to be related to these competitive differences.

At the same time, the analysis has repeatedly warned against drawing a simple line of causation between the level of competition and the extent of progress for co-operative retailing. The Norwegian co-op also experienced fierce competition, especially from the 1980s onwards, but it still managed to defend its market share. It has also been shown how the Norwegian co-operators not only outperformed their national competitors. In comparison with their British sister organisation, they also managed to take better advantage of the new and large retail formats and to develop a coordinated and viable approach to the many transformations occurring within the post-war retailing industry. Hence, in order to understand the different ability of the British and Norwegian co-operatives to transfer trade towards larger retail formats and to develop a competitive structure of stores, attention also has to be given to how the two movements actually approached these challenges.

British and Norwegian co-operatives pioneered self-service trading. They also took on leading roles in introducing supermarket retailing into their respective home markets and they were among the first retailers to experiment with the large edge of town and out of town superstore and hypermarket formats. The UK co-ops also took an innovative role in the revival of convenience retailing in the 1980s and 1990s. Major differences between the two movements arose, however, in how this first mover advantage in the introduction of new retail formats was transferred into long-term competitiveness. Generally, the British co-operators tended to become too occupied with taking the role as innovator and holding a quantitative lead in the store development process, while the important task of developing the organisational structures necessary to create long-term economic success was too often overlooked. The process of developing stores with lasting competitive potential was also hampered by substantial capital shortages. Due to lack of capital, transfer of trade to the larger formats was typically made by way of cheap and simple conversion. But, while this made possible a fast transfer of trade to larger units, the stores soon became outdated and lost their attractiveness for the consumer. The

Norwegian retail societies by contrast managed to secure their first mover advantages by combining innovative capabilities with the adequate structural measures necessary to secure a more permanent competitiveness. They also managed to secure the finances necessary to develop large, purpose-built stores with more lasting competitive potential. The development of self-service, supermarket and hypermarket retailing is indicative of how these differences were played out in practice.

At a more general level, the UK movement seem to have been hampered in their development by a more conservative organisational culture and a much stronger adherence to broader aspects of co-operative ideology, including the value of local independence and self-governance and the obligation to serve local communities. The debate on supermarket development, as referred to in chapter three, is indicative. In contrast, Norwegian co-operators tended to take a more pragmatic attitude to the changes occurring, advocating large-scale retailing as a necessary and important element in striving to modernise the Norwegian retailing sector. It thus generally seems that while many British co-operators fought to defend the virtues of traditional, small-scale retailing practises, the Norwegians advocated large-scale retailing as a defining feature of co-operative retailing. This may further help explain why the two movements approached the coming of larger retail formats so differently.

These differences in general attitude were further amplified by a persistent failure among the British co-operatives to coordinate their activities and to develop stores in a concerted effort. Developing large-scale formats, such as superstores and hypermarkets, demanded substantial administrative, financial and operational skills. British retail societies, however, insisted on developing their stores independently and were generally very reluctant to accept any form of interference from the national federals. The co-ops in Norway, by contrast, developed their large stores in a coordinated effort, comprising both local retail societies and the national association. This was important to ensure that the stores were provided with well-functioning structures of financial and operational support. By agreeing on a common brand and mode of operation, the Norwegians, unlike the British, also managed to lay the ground for a profitable chain of co-operative superstores and hypermarkets operating on a national scale.

By the 1990s the British co-ops were forced to abandon their large scale operations and focus trade in convenience stores and medium sized supermarkets. While this development was supported by the strategic principle of differentiation, it evidently led to further loss of market share. And as the competing retailers of the British food industry embarked on a strategy of diversification, opening stores in a variety of different segments, including convenience stores, the co-op's competitiveness in their favoured segments was soon drastically challenged. On the

other hand, the Norwegian movement was in a better position to develop its many different stores into a diversified structure, operating in all the major segments of the market. A stronger willingness among the local retail societies to exchange local independence with the economic advantages offered by centralised buying and marketing also helped secure the development of such a structure. The ultimate result was an improved ability to defend co-operative market share and to secure the further profitability of co-operative stores.

The analyses of the present section have provided important insights into the question of why the Norwegian and British consumer co-operatives developed so differently in the post-war period. But, many unanswered questions still remain. To understand the issue in more depth, we need to look beyond the store level and take a closer look at the underlying organisational structures of the two movements. While some organisational issues have been touched upon in the previous analysis, a separate and more thorough presentation and analysis of the organisational characteristics of the Norwegian and UK consumer co-operative movements is necessary. Such an analysis will add further knowledge to the question of why the two movements developed so differently in the post-war period. We therefore turn to this issue in the next section of the thesis.

Section II: Organisational structure

The face of food retailing changed dramatically during the post-war years. The small, counter-serviced neighbourhood outlet was replaced by large, well-stocked self-serviced supermarkets, superstores and out of town hypermarkets. These operational and visual transformations constitute one of the major shifts in post-war food retailing.

A less visible, but by no means less important transformation occurred at the organisational level. Throughout the post-war years the size, structure and scope of the enterprises dominating the food retailing sector changed dramatically. In 1950 more than fifty per cent of the British food trade was still controlled by independent, small-scale retailers.⁴²⁷ In Norway more than 80 per cent of the trade was in the hands of such independent traders.⁴²⁸ These retailers would typically operate one or a few shops. They received their supplies from a complex set of middlemen and operated their stores on an autonomous, non-standardised basis.⁴²⁹

By the turn of the millennium this organisational structure had been fundamentally transformed. The independent retailers had mostly been replaced by large standardised, integrated and centralised firms. These so-called multiple retailers held several hundred branches under centralised control and operated them on a standardised basis. The enterprises comprised both retail and wholesale functions and supplies were obtained through an integrated system of distribution. By the turn of the century, 75 per cent of the Norwegian food retail market was controlled by such multiple retailers.⁴³⁰ In the UK, the five largest retailers controlled a similar proportion of the market.⁴³¹

As indicated in the previous section, the transformation towards such large-scale organisational structures was a development that unfolded at different periods in time in Norway

⁴²⁷ Figures are taken from J.B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 163 and pp. 467-73.

⁴²⁸ Estimated from S. Halvorsen, 'De første resultatene fra bedriftstellingen 1953', *Forbrukeren*, 10:10 (1954), 237-43.

⁴²⁹ J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007).

⁴³⁰ Another 24 per cent was controlled by the co-op movement, while the remaining 1 per cent was controlled by independent retailers. E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006), p. 517. Note, however that these figures do not include food sales from petrol stations, kiosks and independent speciality retailers such as butchers, bakeries and greengrocers. In 1999, these accounted for close to 5 per cent of total food sales (E. Røsrud, *Dagligvareforbundets rolle og virke mot år 2000* (Oslo: Handels- og Servicenæringens Hovedorganisasjon, 2003), pp. 23-9.

⁴³¹ Competition Commission, *Supermarkets. A report on the supply of groceries from multiple stores in the United Kingdom, volume 2* (Competition Commission, 2000), p. 47.

and the UK. While multiple retailers had already by 1960 gained a market share in the British retail market of close to 21 per cent, there were still no multiples in Norway.⁴³² Apart from the co-op movement, the Norwegian food retailing industry was completely dominated by independent retailers. The development of chain store food retailing started, however, to accelerate in Norway from the mid-1970s onwards. And by the 1990s, the multiple form of retailing was in fact more dominant in the Norwegian than in the British food retail market. Hence, despite differences in the timing, both the UK and the Norwegian food retailing market ultimately came to be completely controlled by the large, integrated chains.

The organisational principles of these large multiple retailers were similar across national borders and they consisted of three basic elements.⁴³³ Firstly, the multiples operated a huge number of branches under centralised control. All major decisions concerning the operation of the stores were centralized to the organisation's headquarters and the individual store managers were provided with only limited leverage. Secondly, operations were completely standardised across the different stores. Stores operated by a chain would be marketed under the same brand, hold a similar assortment, and operate according to standardised procedures. Thirdly, the multiple stores fully controlled the supply chain, either by vertical integration or by way of contracting. Rather than obtaining their supplies from a mixed set of different wholesalers and industry salesmen, they negotiated directly with the industry. Buying was made the responsibility of the chain headquarters, negotiating on behalf of all the stores operated by the chain. The flow of goods was increasingly controlled by the retailers through the development of retailer owned warehouses. The chains also came to operate numerous regional distribution centres and developed technologically advanced systems of logistics to increase control over the flow of goods.⁴³⁴

Operating consistently on these three basic principles – centralisation of control, standardisation of operational procedures and integration of the distribution function – provided the multiple chains with numerous competitive advantages. Most importantly, the principles lay

⁴³² Figures taken from J. B Jefferys and D. Kneen, *Retailing in Europe. Present structure and future trends* (London: MacMillan, 1962), p. 65.

⁴³³ Note that this is a stylised description of the main operational characteristics of the multiples. It is employed as a heuristic means to facilitate a more systematic analysis. Substantial variations indeed exist between different chain store models. For a short overview, see Nordic Competition Authorities, *Nordic Food Markets – a taste for competition*, Report 1/2005, p. 62). The classification used here is intended to grasp some fundamental characteristics on which all multiples operate. It is adopted directly from J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), pp. 109-16.

⁴³⁴ See L. Sparks, 'Delivering quality. The role of logistics in the post-war transformation of British food retailing', in G. Jones and N. J. Morgan (eds.), *Adding Value. Brands and marketing in Food and Drink* (London and New York: Routledge, 1994) and N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), pp. 83-9.

the foundation for huge cost savings with subsequent possibilities to reduce prices. The organisations managed to handle huge volumes of trade at reduced costs, making way for dramatically increased efficiency and productivity of operations. The tremendous growth of the chains in the post-war period is in itself convincing evidence of the economic superiority of their organisational principles.

The theme of this second section is how the consumer co-operative movement in Norway and the UK adapted their organisational structures in order to deal with the challenge from the multiple chain store model. The co-operative movement had been the first to develop large-scale buying and selling methods within the retailing industry.⁴³⁵ The co-operative way of trading, as it was conducted in the beginning of the 1950s, however, was far from complying with the basic principles of the chain store. The organisational structure was fundamentally based on decentralised, small-scale co-operative societies and only very limited authority was granted to centralised organs. The level of standardisation across society boundaries was also minimal. Even if all societies were part of the wider co-operative movement the retail operations were run according to local tradition. And while the wholesaling function was owned by the retail co-ops, it was not integrated with their retailing operations. The societies traded with their wholesalers on similar lines as they traded with other wholesalers, delivering their orders independently and stocking an uncoordinated variety of different products. In order to efficiently approach the challenge from the multiples, the co-ops had to implement drastic transformations in this structure. The overall challenge was how to meet the economic superiority of the integrated chain within the frame of a co-operative organisational form.

Similar to the challenges coming from the radical transformations in the selling of food, the changes in the organisational structures of the retailing industry, represented most forcefully by the multiples, were approached with varying success by the British and Norwegian consumer co-ops. Already from the 1950s onwards, the Norwegian co-operatives started to reform their organisational structure to make it comply more evenly with the chain store model. The local societies concentrated their operations in retailing while the NKL strengthened its role as a wholesaler. Most NKL owned production facilities were dissolved or sold. Efforts to integrate were made by creating standardised ordering routines between the NKL and the local societies on selected products, while a new bonus system developed by the NKL provided clear incentives for the retail societies to increase the volume of goods bought from the NKL. The favoured

⁴³⁵ J. B. Jefferys, *Retail trading in Britain 1850-1950* (Cambridge: Cambridge University Press, 1954) and E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerammirkets historie i Norge* (Oslo: Pax, 2006).

model in this early phase of development was the so-called ‘independent chain-stores’, as seen in the US. From the 1990s onwards this structure was further developed as the movement reorganised their whole system of supply into a completely integrated organisational structure. The system developed comprised a fusion of the federative organisational model with the principles of the integrated chain store. Local co-operative societies kept charge of the retail operations while the national federation took responsibility for headquarter functions, centralising the buying function, standardising assortment and coordinating an integrated chain of supply. The ability of the movement to radically transform its organisational structure and adapt the co-operative model to chain store principles was imperative in shaping its positive development. By the turn of the millennium the movement was still one of the leading retailers in the country. It had been a driving force in transforming the Norwegian food retail market from being one of Europe’s most fragmented to becoming one of the most centralised. Controlling close to one quarter of the food retail market, the co-op, together with the three largest private multiples, was responsible for 99 per cent of food sales in Norway.⁴³⁶

The transformation of the organisational structures of the UK co-operative movement proved more difficult. Even if the challenges coming from the chain stores were already pertinent from the 1950s onwards, overall the co-op movement failed to implement the reorganisations necessary to restore its competitiveness. By centralising operations through amalgamations of societies into larger units, the movement managed to develop some successful, independent societies trading efficiently in their respective, regional markets. But lack of overall coordination of buying, limited operational standardisation across society structures and difficulties in implementing the necessary integration of the co-operative supply chain drastically hampered the movements overall competitiveness. The failure of the UK co-op movement to develop an organisational structure able to compete with the multiple retailers further added to the decline of the movement. The stores could not be operated as efficiently as the competition and the movement was deprived of the organisational means necessary to restore its overall competitiveness.

The present section describes and analyses the divergent ability of the UK and Norwegian co-operative movement to approach the challenges of the retail chains. It investigates how the two movements struggled to transform their organisational structures and analyses how differences in their organisational apparatus further shaped their divergent development. The chapter thus moves beyond the level of the store and analyses the role of organisational factors in

⁴³⁶ E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerorganisasjonens historie i Norge* (Oslo: Pax, 2006), p. 517.

explaining the divergent development of the Norwegian and British consumer co-op. The analysis proceeds through three chapters. The first (chapter six) concerns the competitive situation in the Norwegian and British food retail sector as it was perceived by the co-operative societies in the immediate post-war period. It presents the organisational measures suggested to approach these challenges and shows how these came to form an important backdrop for the two organisations' further development. The second chapter (chapter seven) shows how amalgamations of local retail societies into larger units in the 1960s and 1970s came to form a basic strategy for both the British and Norwegian co-operative movement in dealing with the chain store challenge. Important differences in how these structural transformations were approached, however, further added to the divergent development of the two movements. The third and final chapter (chapter eight) specifically discusses the different attempts made by co-operative societies to better coordinate the operational procedures and overall flow of goods in the movement through different forms of organisational standardisation and integration.

Chapter 6: The coming of the chain store and the co-operative response

By 1950 the food retail industry in Western Europe was in a state of transition. Not only was the introduction of self-service retailing fundamentally altering the operational and visual characteristics of the trade. The very organisational structure of the industry was about to be transformed. Traditionally, the retailing industry had been based on small, independent shopkeepers operating one or a few stores. These stores had a broad set of functions, they were deeply embedded in their local communities and they were supplied by a complex set of middlemen.⁴³⁷ From the last half of the nineteenth century, this structure had been increasingly challenged. Alongside the dominant, small-scale independent shopkeeper, operating one or a few stores, new organisational forms were developing.

One of these challengers had been the co-operative societies. As a distinct organisational form, the co-op was fundamentally based on the establishment of numerous, small-scale retail societies operating on the principles of local governance. The retail society and the stores they operated were deeply embedded in local communities. As such, they did not break with the organisational principles and ideals of the private shopkeeper. But, some retail societies expanded dramatically and they started to operate numerous branches under centralised control. They also established large, national production and wholesale facilities and sought to exploit the advantages of an integrated system of distribution. By the inter-war years such retailers had obtained substantial shares in the food retail markets of most Western European countries.⁴³⁸

An even more radical challenge to the existing structure came from the so-called multiple retailers. By definition, these were retail enterprises operating ten or more branches under centralised control.⁴³⁹ They based their operations on highly standardised procedures. In order to

⁴³⁷ See J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), pp. 65-81.

⁴³⁸ J. Brazda and R. Schediwy, 'Consumer co-operatives on the defensive. A short overview', in J. Brazda and R. Schediwy (eds.), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 22.

⁴³⁹ This was the definition applied by James B. Jefferys in his study of retailing in Britain, published in 1954 (J. B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 465). It has also later been acknowledged as an acceptable demarcation of large-scale multiples, see G. Shaw, 'The evolution and impact of large-scale retailing in Britain', in J. Benson and G. Shaw (eds.), *The Evolution of Retail Systems c. 1800-1914* (London: Leicester University Press), p. 154.

reap the full potential for scale economies in buying, and to better coordinate the flow of goods into the large number of shops operated, they also integrated backwards into wholesaling (and in some instances also into production). Some of them expanded dramatically, operating stores on a national scale. By 1950 such multiple retailers had become major players in the retailing industry of most Western European countries, fundamentally challenging the position of both the co-ops and the independent shopkeeper.

The present chapter investigates how the co-operative movement in the UK and Norway were affected by the ongoing structural transformations in the food retail industry. It explores how the industry developed in Norway and Britain during the first half of the twentieth century and presents its major structural characteristics by the coming of the 1950s. It further discusses how the co-op interpreted and approached the structural transformations taking place. Four basic questions are examined. First, what characterised the structure of the food retail industry in UK and Norway by the beginning of the 1950s and what role and position was held by the co-operative movement within this structure? Secondly, what were perceived as the main challenges in the trading environment of the UK and Norwegian co-operative movements during this period? Third, what solutions were suggested to solve the challenges? And finally, to what extent were these suggested solutions in fact adopted by the retail societies?

The structure of the food retail industry in the UK by the beginning of the 1950s

As already indicated, the structure of the British food retail industry had been in a state of transition since the mid-nineteenth century. Most prominently, different types of large-scale retailers were increasingly replacing the traditional, independent shopkeeper. True, by 1950 such independent retailers still controlled more than fifty per cent of the market. But it was obvious for most contemporary commentators that this situation was not to last. The co-operative movement was by now firmly established as a major player in the retailing industry of the country. The organisation had taken an early lead in the introduction of the self-service technology. Its principles of profit sharing and democratic governance continued to attract a substantial membership and taken together retail societies controlled close to twenty per cent of all food sales in the country. Parallel to these developments the multiple retailers had also expanded tremendously. Large, national enterprises operating several thousand branches had taken a substantial market share. By 1950, there was thus little doubt that the future belonged to

the large-scale retailers.⁴⁴⁰ The yet unanswered question was, however, what type of large-scale retailing would be dominant. Was it the form of retailing practised by the private multiples or was co-operative retailing to gain further ground?

The multiple retailers had seriously started to make their way into the UK retail market from the 1870s onwards. Among the first multiples in the grocery trade was Walton Hassel & Port of London.⁴⁴¹ By 1900, the multiples' share of the total market was estimated to be between 3 and 4.5 per cent. In food and household the share was between 3.5 and 4.4 per cent.⁴⁴² The main attraction of the multiple retailers was their ability to offer reduced prices, made possible by their higher sales volumes, rapid turnover and lower buying prices. As indicated above, the chains relied on radical new ways of organising retail operations. They operated several branches under centralised control. These branches were operated according to standardised principles and under standardised brands. The chains also relied on an integrated chain of distribution, taking control over wholesaling functions and centralising the buying for all the branches to a single buying point. Some multiples also integrated further backwards into production. While all these features, at least partly, had also been applied by the co-operative movement, the level of standardisation, centralisation and integration was much more radical among the multiples. They operated more branches than any individual retail society. The level of standardisation was also more profound, stretching across all stores operated. And their wholesaling and production facilities were organisationally integrated with their retail operations.

While already having taken substantial market share in several trades by the end of the nineteenth century, the major period of expansion in multiple retailing was not set in motion before the inter-war years. As Peter Scott has shown, while multiples accounted for between 7 and 10 per cent of all retail sales in 1920, by 1939 the figure had risen to between 18 and 19.5 per cent.⁴⁴³ In this period, well known retailers such as Marks and Spencer and Woolworths developed as national, household names. In the food trades, multiple retailers such as Tesco and Sainsbury's were experiencing increasing success in the markets in which they operated. These retailers were still operating on a regional basis, but their overall efficiency and speed of expansion proved the viability of their business model. Hence, while the multiples had left their

⁴⁴⁰ As Jefferys noted: 'the suggested developments in the distributive methods ... all involve an increase in the scale and size of retailing operations' (J. B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 114).

⁴⁴¹ *Ibid.*, p. 22.

⁴⁴² This according to J. B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954). See also G. Shaw, 'The evolution and impact of large-scale retailing in Britain', in J. Benson and G. Shaw (eds.), *The Evolution of Retail Systems c. 1800-1914* (London: Leicester University Press).

⁴⁴³ P. Scott, 'Learning to Multiply: The Property Market and the Growth of Multiple Retailing in Britain, 1919-39', *Business History* 36:3 (1994), 1-28.

mark on the UK retailing scene for more than fifty years, the development in the inter-war period became their final breakthrough. As Gareth Shaw and colleagues have noted, the period marked ‘the start of a reconfiguration of corporate structures and a changing relationship between retailers, wholesalers, and manufacturers’.⁴⁴⁴

The co-operative societies had developed an alternative form of large-scale retailing. Indeed, as Jefferys repeatedly noted in his study of British retailing, ‘the co-operative societies were the first distributive organizations to develop large-scale methods of retailing in the United Kingdom’.⁴⁴⁵ They were ‘the first organizations to introduce large-scale buying and selling methods in the food trades’, and alongside the department stores and the multiples they were regarded as one of the three large-scale retailers in Britain.⁴⁴⁶ The scale of the co-operative operations was in many ways impressive. As Alfred Chandler noted in his seminal study of the growth of industrial capitalism, the co-operative movement in Britain had grown rapidly alongside the multiples. The Co-operative Wholesale Society (CWS) and the Scottish Co-operative Wholesale Society (SCWS) he writes, ‘quickly became the world’s largest distribution organizations’, and together with some of the largest retail societies they were ‘encouraged ... to exploit economies of scope much more than the multiples’.⁴⁴⁷

By the beginning of the 1950s, the co-operative movement was operating a substantial volume of trade. Its market position had been strengthened continuously throughout the first half of the century, rising from an approximate of 6.5 per cent of total retail sales in 1906 to 11 per cent by the beginning of the 1950s.⁴⁴⁸ Considered as a group, the co-op was by far the largest retail unit in the country. It controlled close to twenty per cent of total food sales.⁴⁴⁹ In 1950, it recorded an annual retail turnover of £ 614 million. Of this, the sale of foodstuffs accounted for

⁴⁴⁴ G. Shaw, A. Alexander, J. Benson, and D. Hodson, ‘The evolving culture of retailer regulation and the failure of the “Balfour Bill” in interwar Britain’, *Environment & Planning A* 32 (2000), 1979, cited in J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), p. 193.

⁴⁴⁵ J. B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 157, see also p. 18.

⁴⁴⁶ *Ibid.*, See also J. Benson and G. Shaw, ‘The Rise of Large Scale Retailing’, in J. Benson and G. Shaw (eds.), *The Evolution of Retail Systems c. 1800-1914* (London: Leicester University Press), p. 103-7. A fourth, large scale retailer was the mail-order house, but the dissemination of this type of retailing remained limited in the UK, see R. Coopey, S. O’Connell and D. Porter, ‘Mail order in the United Kingdom c. 1880-1960: how mail order competed with other forms of retailing’, *The International Review of Retail, Distribution and Consumer Research* 9 (1999), 261-73. The role of department stores in food retailing was also negligible. Hence, the two major large-scale retailers in the food trades were the co-ops and the multiples.

⁴⁴⁷ A. D. Chandler, *Scale and Scope. The Dynamics of Industrial Capitalism* (Cambridge: The Belknap Press, 1990), p. 257.

⁴⁴⁸ If no other source is mentioned, the following figures are adopted from Co-operative Union Ltd, *Co-operative Statistics 1950* (Manchester: Co-operative Union Ltd, 1950) and Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958).

⁴⁴⁹ This is indeed an approximate, as different sources state figures varying from 15.1 to 19.7 per cent for the year 1950. The estimate used here is taken from L. Sparks, ‘Consumer Co-operation in the United Kingdom 1945-1993’, *Journal of Co-operative Studies*, 79 (1994), 1-64.

73 per cent or £ 445 million. Taken as a whole, the movement operated close to 30,000 branches of which more than 24,000 were primarily selling food. By comparison, the competing multiple Sainsbury's was trading an annual turnover of £ 16 million out of 244 food branches.⁴⁵⁰ In addition, the co-operatives owned 250 factories and two of the largest wholesale organisations in the world.⁴⁵¹ According to the official statistics, co-operative membership figures were also seeing a steady rise, passing the ten million mark by 1948. While there are good reasons to believe that this figure was somewhat inflated, it reflected that the popular support for co-operative trade was still substantial among the British population.⁴⁵²

By 1950, both the co-operative form of trading and the multiple retailers were seriously challenging the position of the independent retailer. Comparing the position of co-operative trade with that of the multiples, however, there were several indications that the co-operatives were on the defensive. First of all, while the co-ops had indeed expanded rapidly alongside the multiples, from the inter-war years onwards co-operative growth in the food trades had not been the result of any major improvements in the trading practises of the movement. Rather, as Jefferys noted, it had largely been the result of factors not directly related to any pre-eminence of trading practises.⁴⁵³ Firstly, the co-ops had expanded into new markets in the Midlands and the south of England. In 1911, these areas contained close to fifty per cent of the entire British population. But the share of co-operative trade held in the area was only 23 per cent of the total. By 1939 the share had risen to 44 per cent.⁴⁵⁴ In the same period, however, the expansion in the existing trading areas in the north of England and Scotland had been marginal. Secondly, the movement had managed to make large- scale methods of production, processing and distribution applicable to additional foodstuffs, notably the bread and the milk trades. In the period from 1930 to 1950 the co-ops increased their share of the total milk trade by close to 60 per cent, from 19.9 to 31.7 per cent of national sales. There was also a slight increase in the share of the bread, chocolate, sugar confectionery and ice cream trades. While this growth was important and in many ways impressive, the problem was that these trades, and especially the milk trade, were in steep decline in terms of relative importance in the total sale of foodstuffs. Adding to these problems was the

⁴⁵⁰ B. Williams, *The Best Butter in the World. A History of Sainsbury's* (London: Ebury Press, 1994), p. 219.

⁴⁵¹ The number of factories include all factories operated by the movement and not only the ones operated by the CWS, as presented in chapter one.

⁴⁵² See chapter one in the present thesis for a full account.

⁴⁵³ This and the remaining part of the paragraph according to J. B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 83-5.

⁴⁵⁴ *Ibid.*, p. 56.

fact that from 1935 onwards the co-ops were outpaced by multiple retailers in all the other major commodity groups, including the sales of groceries and provisions.⁴⁵⁵

A further indication of the weakened position of the co-ops compared to the multiples was the fact that their pace of expansion turned out to be way behind that of the major multiples. In the years between 1930 and 1952 the co-ops' share of the general retail trade had increased by ten per cent. In the same period the multiples' share had risen by fifty per cent. In the food and household segment alone, the growth of co-operative trade between 1935 and 1950 had been close to 9 per cent. Among the multiples the growth had been almost 14 per cent.⁴⁵⁶

These development trends clearly indicated that it was the multiple form of trading that was advancing. The co-ops had not managed to keep pace with the expansion of these retailers. Indeed, the expansion experienced was mainly explained by factors not related to any pre-eminence in co-operative trading practises. Rather, as Jefferys noted, 'if in these inter-war years there had been no new areas into which the co-operative movement could expand, and if there had been no changes in production and distribution conditions making large-scale methods applicable to additional foodstuffs, the overall rate of progress of Co-operative trading would have been negligible.'⁴⁵⁷

Why had the multiples expanded so much more rapidly than the co-ops? The simple answer is this: while the co-op movement taken together indeed was a large scale retailer, it had generally failed to take advantage of the organisational principles of centralisation, standardisation and integration. The actual organisational structure was still based on decentralised, small-scale co-operative societies. True, the level of centralisation had indeed increased from the early 1900s onwards, most importantly through the amalgamation and mergers of societies into larger units. In the period from 1901 to 1950 the number of societies had been reduced by close to 30 per cent, from 1,438 to 1,019.⁴⁵⁸ Despite these developments, the movement was still relying on numerous small societies. By 1950 almost half of the total number of societies operated less than ten establishments each, while ten per cent of the societies were still operating only one shop. In the food trades specifically, 67 per cent of the societies operated less than ten establishments each.⁴⁵⁹ Further, while the wholesaling functions of the CWS and the SCWS were owned by the retail societies, the level of integration between the two remained limited. For one, the retail

⁴⁵⁵ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), pp. 5-6.

⁴⁵⁶ All figures estimated from Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), pp. 3-5.

⁴⁵⁷ J.B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 84.

⁴⁵⁸ Co-operative Union Ltd, *Co-operative Statistics 1950* (Manchester: Co-operative Union Ltd, 1950).

⁴⁵⁹ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), pp. 83-4.

societies and the wholesale societies remained separate organisational units. Moreover, the relationship between the two was based on standard buyer/seller principles. The retail societies traded with their own wholesaler on a similar basis as they traded with other, private wholesalers. Even if the CWS and the SCWS were the major source of supply for retail co-operative societies, obtaining close to 75 per cent of their groceries and household stores from the federative wholesale organisations, the wholesalers had to compete with private suppliers for trade on a daily basis.⁴⁶⁰ Finally, even if all societies were part of the wider co-operative movement, the retail operations were controlled locally and the level of standardisation across society boundaries remained limited. Indeed, within societies, some standardisation had been introduced and, as Jefferys remarked, ‘multiple shop techniques of controlling the activities of these branches’ were also increasingly applied in these societies.⁴⁶¹ But the overall picture of the movement was one of fragmentation, where local retail societies governed their local trading units according to their particular principles and traditions.

Compared with the multiples, the level of standardisation, centralisation and integration was thus much less developed within the co-op movement. As Jefferys also noted, ‘in methods of trading, the multiple shop organisations concentrated to a much greater extent than was the case with either Co-operative or department store trade on economies of scale in buying, economics of specialisation in administration and economics of standardisation in selling.’⁴⁶² It was thus also evident that any future growth in co-operative food retailing needed to be based on major improvements in the operational procedures of the movement. Again in the words of Jefferys: ‘If a wider market is to be gained [for co-operative trade] the appeal will have to stress efficiency and up-to date methods of selling the goods the consumer demands, and not only the payment of dividends which in any event may be so small as to offer little attraction.’⁴⁶³

The overall situation in the British food trades by the coming of the 1950s was characterised by an expanding multiple retail industry. The independent shopkeepers were still holding substantial market share, but their position was increasingly threatened. While employing some scale advantages, the co-op movement was also a major player in the food retail market, as well as in some other retail trades. But its trading structure was increasingly proving to be uncompetitive with the economies realised by the multiples and its future development was thus quite insecure. Even if the multiples had not gained market leadership, by 1950 their methods of

⁴⁶⁰ Figures taken from Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), p. 13.

⁴⁶¹ J. B. Jefferys, *Retail trading in Britain, 1880-1950* (Cambridge: Cambridge University Press, 1954), p. 56.

⁴⁶² *Ibid.*, p. 27.

⁴⁶³ *Ibid.*, p. 116.

trading were increasingly acknowledged as superior.⁴⁶⁴ At the same time, there was also still a large, untapped potential for improvement in the method of trading applied by these retailers. Most importantly, the possibility for fully exploiting the principles of centralisation, standardisation and integration had not been realised. And indeed, the organisational structures of the major multiples were to become substantially more sophisticated in the following decades. This was to pose one of the most fundamental challenges for the further growth of a co-operative movement already struggling hard to compete with these expanding retailers.

The structure of the food retail industry in Norway by the beginning of the 1950s

In his presentation of the first national budget in 1946 the Norwegian minister of finance Erik Brofoss described the country's retail sector as 'predominantly small-scale oriented and technologically conservative.'⁴⁶⁵ Indeed, in contrast to the dynamic changes in the British retail industry characteristic of the first half of the twentieth century, the Norwegian food retail sector had shown a substantial degree of stability. Perhaps the most visible contrast was that by 1950 there were still no retail chains in Norway. This had a simple explanation. Formalising a regulatory practice stretching back to the mid- nineteenth century, the trade law of 1907 had simply made it unlawful for retail organisations to operate several branches. The law was still in operation in 1950 and it had effectively hindered the development of multiple enterprises within the Norwegian retailing industry. The only exemption given had been to the co-operative movement. On the condition that the co-operative stores only traded with members and operated within the municipality of the retail society, co-operatives were allowed to operate several branches.⁴⁶⁶ The consequence of these trading conditions was that the Norwegian food retail sector was dominated by independent retailers and co-operative societies. By 1950, more than 80 per cent of the food trade was in the hands of independent traders, operating a single shop. The remaining share was controlled by co-operative societies.⁴⁶⁷

While this structure was founded on regulatory traditions going back more than one hundred years, by the coming of the 1950s there was growing public and political concern about

⁴⁶⁴ J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), p. 197.

⁴⁶⁵ Cited in E. Ekberg, E. Lange and E. Merok, 'A successful latecomer: Growth and transformation of the Norwegian consumer co-operatives 1920-2000', *Paper presented at the XIV International Economic History Congress, Helsinki, 21.-25. August 2006*.

⁴⁶⁶ E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006), pp. 84-5.

⁴⁶⁷ Figures estimated from S. Halvorsen, 'De første resultatene fra bedriftstellingen 1953', *Forbrukeren*, 10:10 (1954), 237-43.

the need to drastically rationalise the existing system of distribution. Hence, in 1946 a designated public Retail Trade Commission was established to conduct ‘a critical examination of the food retail industry in Norway’.⁴⁶⁸ The commission was to evaluate the overall structure of the industry, its organisational characteristics and the operational costs on which it operated.⁴⁶⁹

After three years of investigation the commission delivered an interim proposal, suggesting that the existing ban on branches needed to be abandoned. The proposal was soon adopted by the government and by April 1951 the trade law was finally changed by parliament. Abandoning the ban on branches was, however, only one step in the process of rationalising the retail industry. When the Retail Trade Commission delivered its final report in 1957, the picture painted was still one of a backward industry, operating on outdated structural and operational principles. Despite the lifting of the ban on branches six years earlier, the food distribution system continued to be dominated by small-scale retailers and wholesalers. The chain store innovations that had swiped across the retailing industries in the US, as well as in several European countries in the first half of the twentieth century, had not been introduced. Numerous small wholesalers and retailers continued to operate on an independent basis. The fragmented structure of the wholesalers implied that their bargaining position with producers of consumer goods remained very weak. Estimates made by the commission indicated that Norwegian wholesale activities incurred cost margins three times the level found among US wholesalers. Organisational integration of wholesale and retail functions was also practically non-existent. Rather, the distribution of consumer goods resembled a spot market where local selling agents would take orders from retailers on a daily basis. It was common for retailers in the Oslo region to conduct business with about 75 different wholesalers. Clearly, this system was a costly one.

The fragmented pattern characteristic of the Norwegian food retail industry was also reflected within the co-operative movement. Even more so than the British co-operatives, the Norwegian co-ops continued to operate on a decentralised, non-standardised basis with only limited integration of the retail and wholesale levels. The large majority of retail societies were small, operating one or a few stores. In 1950 a total of 1,084 co-operative retail societies altogether operated close to 1,600 outlets.⁴⁷⁰ The societies in operation were serving a total population of 3.3 million. By comparison, the 1,019 societies operated by the UK co-operative movement served a population of close to fifty million. Standardisation across society structures

⁴⁶⁸ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006), p. 268.

⁴⁶⁹ This and the following paragraph is largely based on *Ibid.*, pp. 267-9/pp. 301-4 and J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), pp. 203-4.

⁴⁷⁰ Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

also remained limited, even if some common trading principles had been introduced. In practice, each society operated its outlets fully independent from the others and the value of local autonomy was repeatedly advocated. Finally, the level of integration between the retail and the wholesale levels remained insignificant and after the Second World War it had in fact been in slight decline. By 1950, the share of retail societies' purchase in the NKL as a per cent of total purchase was at a negligible twenty per cent. Immediately before the war it had been close to thirty per cent.⁴⁷¹ In the UK, the similar figure at this point was 61 per cent.⁴⁷²

The Norwegian retail industry of the early 1950s was fragmented, dominated by numerous, small, independent retailers and wholesalers. The co-operative movement was equally based on small-scale operational procedures. Compared to the situation in the UK, the differences were many. Most prominently, in Britain the development of multiple retailers had seriously started to make its mark on the food retailing industry. Independent retailers were increasingly outperformed and the expansion in co-operative trade had also slowed down. In Norway, by contrast, the independents continued to dominate. The multiple form of trading had not been introduced, and even if the co-ops continued to operate on outdated organisational principles, their market position remained largely unchallenged.

Approaching the post-war period the Norwegian and British consumer co-operatives were faced with very different competitive surroundings. In the UK, the most obvious threat to co-operative trade came from the outside. Multiple retailers were making headway into the co-op's core business of food retailing and the movement as a whole was on the defensive. In Norway, by contrast, there was no such immediate external threat. Rather, the main challenge came from the inside. Co-operative trade remained extremely fragmented and administrative and financial challenges weakened the immediate vigour of the national association. How these different structural threats were perceived and interpreted by the co-ops in Norway and the UK came to have an important effect on their long term competitiveness and, ultimately, their market survival.

⁴⁷¹ *Ibid.*

⁴⁷² Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative union Ltd, 1958), p. 13.

The structural weaknesses of Norwegian co-operative retailing

As already noted, the market position of the Norwegian co-operative movement was fairly strong by the early 1950s. The market share in the food trades, at between 15 and 18 per cent, was almost equal to that of its UK sister organisation, the country of origin for co-operative trade. At the same time, the movement was advantaged by the still limited competition of the Norwegian food retail market. Multiple retailers were non-existent and at both the retail and the wholesale level, the industry was still dominated by small-scale enterprises. On the basis of these general characteristics, both the present situation and the future prospects of co-operative trade looked fairly promising.

This was, however, not how the situation was perceived by the leading representatives of the co-op movement. Quite to the contrary, the challenges facing the movement were viewed to be substantial. Not only was the small-scale and fragmented nature of the movement causing major worry. Additional problems of internal, organisational character were also seen to radically weaken the movement's future prospects.⁴⁷³ The first of these was related to how the liquidity of the national federation had been drastically weakened in the immediate post-war years. The major reason was that the retail societies had started to increase their trading debt in order to finance expansions. As we recall from the previous section, during the 1950s many retail societies had transferred their trade to larger, more meticulously furnished self-serviced outlets.⁴⁷⁴ However, these expansions often put major strains on the society's finances. One way of reliving the situation was to delay the payment for deliveries made by the NKL. In the long run this practice drastically weakened the financial position of the national association. In the first quarter of 1950 alone, the retail societies' debt to the NKL rose by NOK 5 million, equal to £ 250,000. In addition, NOK 3 million in advanced payments had been pulled out in the same period, making the total financial loss for the NKL NOK 8 million, or £ 400,000.⁴⁷⁵ At one point the situation became so acute that the NKL had to cancel a series of deliveries in order not to damage relations with its bank

A second major problem was related to the dramatic, yet unwarranted growth in the number of co-operative retail societies. In the period from 1945 to 1950 alone, 300 new societies had been established. This implied an increase of 36 per cent. It soon turned out that many of these societies had been established without any realistic assessments of the existing trading

⁴⁷³ This and the following two paragraphs are largely based on E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006), pp. 269-74.

⁴⁷⁴ See chapter two and three in the present thesis.

⁴⁷⁵ Norges Kooperative Landsforening, *Protokoll over forhandlingen på Norges kooperative Landsforenings 23. kongress i Bergen 31. mai og 1. og 2. juni 1950*, (Oslo: Arbeidernes Aktietrykkeri, 1951), p. 44.

possibilities.⁴⁷⁶ Indeed, societies were registered who hadn't even managed to open a single store and where the actual market potential was very limited. Their goal was to find support in the national co-operative movement and hopefully manage to get a small, single shop going. In the meantime they did not contribute to the economic development of the movement, but instead further drained the movement's total resources. As was noted by the 1947 *Annual report* of the NKL: 'the difficulties experienced by the new societies to get started have been substantial and many have not yet managed to get their business going'.⁴⁷⁷

A final problem was related to ongoing administrative turbulence within the NKL. Since 1920, two leaders had dominated the governance of the national association; Randolf Arnesen as chief secretary of the administration and Andreas Juell as full time chairman of the board. In 1948 both these leaders had to resign as they reached retirement age and replacements had to be found. A substantial part of the existing NKL administration also had to be replaced, as several of the hired staff were charged with economic irregularities during the wartime period. The ultimate consequence of these developments was that the NKL was drained for operational energy. The national association was simply unable to take full charge and deal efficiently with the challenges facing the movement.

Thus, by the coming of the 1950s the consumer co-operative movement in Norway was hampered by a series of internal problems. While the external threats were minimal, lack of coordination between the NKL and the retail societies, the small-scale nature of the retail societies and the administrative and financial weaknesses of the NKL caused major worry within the movement. For leading representatives of the movement the situation was perceived as a probable crisis. Indeed, as the NKL chairman Svein Dalen noted in an internal memo to the board of directors: 'I find the situation to be very serious if we do not very soon take the steps necessary to meet the development that a little by little will make itself felt within the Norwegian co-operative movement'.⁴⁷⁸

The numerous problems that hampered the co-op could indeed have generated critical outcomes. As it turned out, however, they helped to clear the ground for the drastic reorganisation of the movement's overall organisational structures. The growing feeling of crisis spurred debate and a critical examination of the operational procedures of the movement. The

⁴⁷⁶ In 1946 alone the number of new establishments was 169. Of these 57 or more than 34 per cent were established in the three northern counties of Nordland, Troms and Finnmark. In 1947 another 84 societies were established. Figures taken from Norges Kooperative Landsforening, *Annual report 1946*, p. 17; Norges Kooperative Landsforening, *Annual report 1947*, p. 14 and Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁴⁷⁷ Norges Kooperative Landsforening, *Annual report 1947*, p. 14.

⁴⁷⁸ K4, 6b, 4, 30, memo by S. Nilsen, 'Ad. N.K.L.s organisasjonsform', 16 June 1952.

role of the national association and its relation to the retail societies came under close scrutiny and the very structural fabric of the movement was questioned and debated. Moreover, these debates were largely lead and pushed forward by representatives not bounded by traditional organisational practises and ideals. As a consequence of the major administrative conflicts in the immediate post-war years, a new generation of younger leaders entered the offices at the NKL headquarters. Many of them brought experiences from large- scale private enterprises. At the same time, they were determined to create a strong co-operative movement in which they could make a successful career. As such, they were also more opened- minded to change.

Rather than leading to decline, the feeling of crisis present in the co-op movement by the coming of the 1950s facilitated the introduction of fundamental transformations. But, how were the problems experience by the co-ops to be approached? The answer from the newly appointed NKL leadership was simple. The problems could only be solved by pushing forward radical structural transformations, capable of substantially increasing the efficiency of the entire movement. As chairman of the board Sverre Nilsen noted to the NKL Congress in 1950:

Our entire system of distribution needs to be rationalised and all our resources needs to be coordinated and consolidated. [...] Within the NKL every single chain needs to be analysed to reduce the costs and increase the efficiency. [...] The first problem we have to solve with all our abilities, both in the co-operative societies and the NKL, is increased efficiency, from the youngest worker to the chief manager. Efficiency should be our watchword in the following years.⁴⁷⁹

The focus of the NKL leadership by the coming of the 1950s was thus wholly set on the need to reorganise the business operations of the movement. The development of the organisational department within the NKL gives further evidence of this attitude.⁴⁸⁰

In 1948, Randolph Arnesen had retired as chief secretary of the NKL. He was replaced by Peder Søliland, a young co-operator and former Labour Youth League (AUF) politician. As chief secretary of the NKL, Søliland automatically took over the leadership of the organisational department. Traditionally, the main responsibility of this position had been to advance the ideological aspects of co-operative trading. Under the almost thirty year long leadership of Randolph Arnesen, the department had primarily sought to increase the popular knowledge of co-operatives as a specific and morally superior form of economic organisation. In the view of Arnesen, consumer co-operation was 'the consumer's protection against exploitation' and in his

⁴⁷⁹ R. Arnesen, *Kooperasjonen i raske trekk* (Oslo: Norges Kooperative Landsforening, 1946), Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerorganisasjonens historie i Norge* (Oslo: Pax, 2006), p. 281.

⁴⁸⁰ The following paragraph is largely based on *Ibid.*, pp. 274-6.

position as manager of the organisations department he had taken every opportunity to advance this principal view.⁴⁸¹ Sjøland, however, primarily focused on the economic challenges of the co-operative movement. That is to say, as organisations manager he saw his primary role as advocating structural reforms to strengthen the economic performance of the movement. Specifically, he was to make his mark as a strong proponent for structural rationalisation at the retail level. He consistently advocated the need for the co-op movement to rationalise and modernise its operations and specifically to increase efficiency by way of amalgamations of societies into larger units. As such, Sjøland personified the ongoing ideological shift in the NKL administration where increasing attention was given to the commercial aspects of the co-operative enterprises, while consumer education and the obligation to spread the co-operative ideals of fair, honest and democratic trading were deemed less important.

This strengthened commercialised attitude of the Norwegian co-operators was not only confined to the NKL leadership. These views held by the central leadership were also increasingly reflected among the retail societies. Hence, replying to the speech made by Sverre Nilsen at the 1950 Congress, representative Holme from Sarpsborg provided a clear message:

We have to stop lulling ourselves into a false sense of security thinking that the principle aspects of co-operation are so important for the consumer that it alone can secure a viable co-operative enterprise. We have to regularly remind ourselves that the main role of the consumer co-operative is, by way of sales and production, to provide the members with high quality products at a reasonable price. This implies that we repeatedly need to investigate the possibilities to increase our efficiency and productivity.⁴⁸²

The statement is indicative of the basic attitude held by most influential co-operators by the coming of the 1950s. The ongoing debates on how to approach the future development of the movement soon became largely oriented towards the business operations of the movement and the need to reform its basic patterns of trading. The major role of co-operation was defined as the ability to efficiently serve the economic needs of the consumer. In order for the co-ops to face the challenges ahead, it needed to devote all its energies towards rationalising its entire system of distribution, from production via wholesaling to retailing.

By the beginning of the 1950s then, there existed a clear perception among leading co-operators of the major challenges facing the movement. A new and energetic leadership had taken office at the NKL. The major goals set for future development were fairly clear. Internal

⁴⁸¹ Cited in *Ibid.*, p. 274.

⁴⁸² Norges Kooperative Landsforening, *Protokoll over forhandlingen på Norges kooperative Landsforenings 23. kongress i Bergen 31. mai og 1. og 2. juni 1950*, (Oslo: Arbeidernes Aktietrykkeri, 1951), p. 66 .

inefficiencies in both the NKL and the retail societies were hampering the future prospects of co-operative trade. The small-scale and fragmented nature of the organisation needed to be dealt with. The organisation had to adopt modern forms of organising and operating retailing and wholesaling services. There also needed to be a more consistent relationship between the retail and the wholesale units to make sure that the total system of distribution was operated according to efficient and up-to-date practices. Taken together, these factors were fertile ground for the introduction of fundamental changes in the organisational structure of the movement. At the same time, they contrasted in important ways with the perceptions held and goals formulated by British co-operators in the same period.

The social and moral superiority of co-operation: UK co-operators confronting the 1950s

While the major threat towards the viability of co-operative food retailing in Norway came from inside the movement, in the UK the advance of the multiples was the most fundamental problem. The British co-ops had already for some years been unable to keep pace with the level of expansion experienced by the multiples and the co-operative form of retailing was increasingly characterised as a secondary form of large-scale retailing. It is evident, however, that these factual challenges were not fully recognised by the co-operators themselves.

Looking closer at the main debates and themes discussed at the Co-op Union Congress and in the co-operative press in the first half of the 1950s, it is striking how the major competitive challenges facing the movement were given very little attention. In some instances they were even rejected. The presidential address held by the chairman of the Co-operative Union Central Board, J. W. Blower, to the 81st Co-operative Congress in Morecambe is indicative. While Blower recognised that there were well-known 'deficiencies ... [in the] trading structure' of the co-ops, and that it seemed 'probable that some adjustment of our traditional ideal will be necessary', he saw no need to provide a thorough, critical examination of how the movement organised its activities.⁴⁸³ Quite to the contrary, Blower praised the cost efficiency of the co-operative system of distribution, arguing that any statements 'made to the effect that the costs of distribution are too high' were drawn 'without any proof whatsoever' and were 'completely unasserted by facts'.⁴⁸⁴ Hence, while we recall how the chairman of the board at the NKL Congress in 1950 had highlighted the need for the 'entire system of distribution ... to be

⁴⁸³ Co-operative Union Ltd, *Report of the 81st Annual Co-operative Congress in the Winter Gardens Theatre Morecambe, May 29th, 30th, 31st, and June 1st, 1950* (Manchester: Co-operative Union Ltd, 1950), p. 279.

⁴⁸⁴ *Ibid.*

rationalised ...coordinated and consolidated', Blower simply concluded that 'co-operative retailing ... is at least as efficient as any other section of retailing for which figures of distributive costs are available'.⁴⁸⁵

On these grounds it was perhaps no surprise that Blower largely neglected commercial issues in his presidential address, instead such things as the movement's 'relations with the Labour Party', 'employee relationships' and 'the growing indifference and attitude of our own members', were highlighted as being among the movement's 'great problems'.⁴⁸⁶ Blower's restricted focus on such non-commercial issues did, however, also reflect how British co-operators generally tended to be much more occupied with broader ideological aspects of co-operative retailing than their Norwegian counterparts, specifically with the need to advance consumer co-operation as a socially and morally superior form of economic enterprise. As Blower's address finally concluded:

Co-operation, with its economic base, is something far greater than mutual trading pure and simple. By and through our unique system a new social order is slowly but steadily and continuously being evolved in which man shall be freed from drudgery and want and given opportunity for the cultivation of the creative imaginative life without which a people spiritually perishes.⁴⁸⁷

In the following years the co-operative congresses continued to focus primarily on broader issues of societal transformation and the role of the consumer co-operative movement within the new society evolving in the aftermath of the Second World War. Issues of trade were generally given less attention. Hence, in 1951 the Co-op Union reported how 'Politics ... took up a good deal of Congress time'.⁴⁸⁸ With 'the war in Korea and the uneasy peace in the rest of the world' it was also deemed 'natural that the Congress should take an interest in international affairs'.⁴⁸⁹

The 1952 and 1953 congresses saw a minor reaction to this trend. In his presidential address to the 1952 Co-operative Congress in Margate, Lord Williams explicitly commented how 'for the past six years many co-operators have been preoccupied with the implications of political action ... and ... perhaps, been a little neglectful of the structure in which we as co-operators live'.⁴⁹⁰ He then went on to notice how the 'relationship of the retail societies to the national

⁴⁸⁵ *Ibid.*

⁴⁸⁶ Co-operative Union Ltd, *Report of the 81st Annual Co-operative Congress in the Winter Gardens Theatre Morecambe, May 29th, 30th, 31st, and June 1st, 1950* (Manchester: Co-operative Union Ltd, 1950), pp. 274-83.

⁴⁸⁷ *Ibid.*, p. 283.

⁴⁸⁸ Co-operative Union Ltd, *Report of the 81st Annual Co-operative Congress in the Empress Ballroom Winter Gardens Blackpool, May 14th, 15th, 16th, and 11th, 1951* (Manchester: Co-operative Union Ltd, 1951), p. v.

⁴⁸⁹ *Ibid.*

⁴⁹⁰ Co-operative Union Ltd, *Report of the 83rd Annual Co-operative Congress in the Winter Gardens Margate, June 2nd, 3rd, 4th, and 5th, 1952* (Manchester: Co-operative Union Ltd, 1952), p. 309.

federations' and specifically 'the need for closer co-ordination of co-operative production and distribution' would be essential preconditions for success in a future where the retail market will be increasingly dominated by multiple retailers.⁴⁹¹ Still, all the major discussions held in the days following Williams' address were on other issues than trading. As the Co-op Union's report from the congress noted, lively debates had been spurred on the 'huge sums which were spent on armaments', and 'the Congress could see no sense in the way the Tory Government had cut the education and health service as a way to solve the balance of payments problems.'⁴⁹² In 1953, the president John Corina, who was famous in the movement for being one of the most influential characters in the introduction of self-service within the British retail market, also tried to focus more explicitly on issues of trade.⁴⁹³ Specifically, as the Co-op Union's report from the Congress stated it, he 'made a strong plea for the modern approach to retailing, urging that consumer and housewife of to-day is attracted by service and quality and specialisation, even more than by co-operative dividend.'⁴⁹⁴ But Corina's plea for an increased focus on these issues gained only limited attention. And at the Congress a year later, broader societal issues again took centre stage. Proposals were passed against the rearmament of Western Germany and against the huge sums being spent on armaments, while 'the report of the ... trade associations, all passed virtually without comment.'⁴⁹⁵ In retrospect the 1954 Congress, held in Scarborough, was in fact receiving 'criticism from some quarters' for spending 'too much time on political and international affairs'.⁴⁹⁶

Thus, while trading problems were discussed by the British co-operators, they were seldom given the main attention. Issues of trade also tended to be framed within the broader picture of the general development of British society and the politics employed by government, and were seldom related directly to the competitive threats of the multiple retailers and the specific trading structures on which they operated. This is not to say that major leaders of the movement were not concerned with how to increase the movement's efficiency in order to meet the future competitive treats of the multiples. But, these strategic considerations continued to be framed within a broad and diffuse goal of societal transformation. It is indicative how the 1954 congress president H. J. Twigg, after having reported the market share of total co-operative trade

⁴⁹¹ *Ibid.*, p. 309/p. 307.

⁴⁹² *Ibid.*, p. vi/v.

⁴⁹³ See chapter two in the present thesis.

⁴⁹⁴ Co-operative Union Ltd, *Report of the 84th Annual Co-operative Congress in the Pier Pavilion Llandudno, May 25th, 26th, 27th, and 28th, 1953* (Manchester: Co-operative Union Ltd, 1953), p. vi.

⁴⁹⁵ Co-operative Union Ltd, *Report of the 85th Annual Co-operative Congress in the Spa Grand Hall Scarborough, June 7th, 8th, 9th and 10th, 1954* (Manchester: Co-operative Union Ltd, 1954), p. v.

⁴⁹⁶ *Ibid.*

to stand at an approximate of ten per cent, concluded that '*in aggregate, we are one tenth of the way towards socialising the consumer supplies of Britain*'.⁴⁹⁷

Hence, compared to the Norwegians, the UK co-operators remained more deeply indebted to the broader social and moral principles of consumer co-operation. Commercialised attitudes had to be squared with the obligation to advance the co-op as a superior alternative and, to cite a 1949 policy statement from the Co-operative Union, as a means 'to train and influence human instincts in order to make co-operation between people an objective and an ideal.'⁴⁹⁸

How can we explain these major differences between the Norwegian and British co-operators in how they approached the immediate challenges of the post-war retailing industry? A few points are worth noting. First of all, it is evident that, by the coming of the 1950s, the trading structure of the British retail societies was much more advanced than the one operated by the Norwegian co-ops. Secondly, even if the competitive threats to co-operative trade were much more obvious in the UK than in Norway, the British co-operators remained largely satisfied with their trading performance. By 1954 the aggregate financial position of the retail societies was regarded by Co-op Union officials as 'still one of considerable strength.'⁴⁹⁹ Declining profits and dividends were largely subjected to government regulations and the effect of increased prices, 'leading to inflated cash sales over which dividends has to be spread.'⁵⁰⁰ And while the organisational structures of the movement were perhaps not competitive with the multiples, the lead taken in introducing self-service trading at the retail level already from the mid-1940s onwards, spurred, as we have seen earlier, a continued feeling of 'superiority in the retail trades' among many co-operators.⁵⁰¹ The attitudes held among major representatives of the British consumer co-operative movement by the beginning of the 1950s was therefore not one of crisis and drastic need for change. While the challenges of the multiples were recognised, the movement continued to hold a strong belief in the viability of its business model.

A further factor may be related to the British co-operator's inclination to advocate broad goals of co-operative advance in all spheres of society as a mainstay of its operations. Commercial performance was simply not the only parameter on which the co-ops should be evaluated. By contrast, Norwegian co-operators developed a much narrower and more clearly defined goal of commercialised modernisation as their main guiding principle. As a consequence,

⁴⁹⁷ *Ibid.* p. 254 (emphasis in original).

⁴⁹⁸ Co-Operative Union Ltd, 'The Co-operative Movement in a Collectivist Economy. Statement of Policy', *Annals of Public and Cooperative Economics*, 20:3 (1949), 282–301, cited in P. Gurney, 'The Battle of the Consumer in Postwar Britain', *The Journal of Modern History*, 77 (December 1955), 960.

⁴⁹⁹ J. A. Hough, 'British cooperative retailing. The real post-war period', *Review of International Co-operation*, 47:12 (1954), 283.

⁵⁰⁰ J. A. Hough, 'Cooperative retailing in Britain 1946-1952', *Review of International Co-operation*, 46:5 (1953), 113.

⁵⁰¹ 'Pioneering Still', *The Co-operative Review*, 31:9 (1957), 194. See chapter two in the present thesis.

they were perhaps more inclined to critically question the economic viability of their organisational model. Of course some Norwegian co-operators were also sceptical of the increased focus on rationalisation and commercial efficiency advocated by the central leadership. But, most attempts at formulating alternative and broader societal foundations for the enterprise were either ignored or had negligible influence.⁵⁰² This also points to a final characteristic of the British situation, as opposed to the Norwegian. While a new and energetic leadership had taken office at the NKL headquarters and were provided with more substantial powers to initiate changes across the entire structure of the co-operative enterprise, the UK movement did not have a similar focal point for decision-making. The Co-op Union remained an advisory organ, with no direct influence on the trading operations of the retail societies, while the CWS was largely regarded as a regular trading partner, with no specific authority over the retail business of local co-operatives. It was thus less clear who would take responsibility to initiate and coordinate the changes that would be necessary to approach the increasingly real threats to the future economic growth of the British co-op movement.

All these factors influenced how the Norwegian and British co-operators perceived the major threats of the 1950 food retail market. In turn these differences in perception came to have an important effect on how the two movements actually approached the challenges. The situation in Norway was fertile ground for fundamental changes, and throughout the 1950s leading representatives of the Norwegian co-operative movement pushed forward radical transformations in how the movement organised and operated its activities. The perceptions and visions of the British movement on the other hand, foresaw the continuation of the status quo. And, as it turned out, most attempts to reform the organisational structure of the British co-op movement were rejected and came to nothing.

Norway: Modernisation along US ideals

During the course of the 1950s, several important reforms were implemented by the Norwegian co-operators to solve the pressing challenges perceived to be facing the movement. Particular attention was focused on the need to modernise how the national association operated and to strengthen the relationship between the national wholesale and the local retail societies. The major source of inspiration came from the US chain store model. Leading representatives of the

⁵⁰² See H. M. Sund, *Mellom kommersielle krav og ideelle formål: organisasjonsvirkosomhet i NKL, 1945-59* (Ma thesis, University of Oslo, 2005) and T. Leborg, *Rikere hverdag: NKLs forbrukeropphysning 1960 - 1969* (Ma thesis, University of Oslo, 2005).

movement made several trips to the US at the end of the 1940s and the beginning of the 1950s to study American retailing practises. The movement also received direct guidance from representatives of the European Productivity Agency, who specifically provided advice on how to increase productivity in the overall system of co-operative distribution.

By far the most important figure in the process of transforming how the co-operative movement organised its trading activities was the NKL manager, Knut Moe. Moe had been hired by the NKL in 1947 to run the NKL grocery department, the largest trading department in terms of annual turnover.⁵⁰³ He soon came to play a major role in transforming the operations of the entire movement, particularly focusing on streamlining the relationship between the NKL as a wholesaler and the local societies as retailers. Together with Olav Meisdalshagen, who was elected the new chairman of the NKL board in 1952, he also pushed forward a profound modernisation of the NKL storehouse facilities and advocated NKL as the movement's sole wholesaler.

Moe's principle ideas for how the co-op movement should organise and operate its activities were taken directly from the trading practise of the US independent retail chains. A study trip made to the US in 1953 came to have particular importance. The experiences from the trip were reported in two lengthy articles in the co-operative journal *Forbrukeren* in 1954.⁵⁰⁴

While many European visitors studying American retailing had been impressed by the dissemination of the self-service system and the size of the retail stores, Moe was more occupied with how the system of distribution serving the stores were operated.⁵⁰⁵ He argued that the important thing to be learned from the American retail industry was not the particularities of how the individual solutions were operated and run, but rather how the different links in the chain of distribution were treated as an integrated system.⁵⁰⁶ Specifically, he pointed to three factors that had turned 'American wholesale business into a streamlined system of distribution'.⁵⁰⁷ These were the one-storey storehouses with mechanised internal transport, the specific system of placing the

⁵⁰³ In 1950 the department recorded an annual turnover of NOK 80 million, or £ 4 million, which represented 57 per cent of total NKL turnover. The second largest department was the hardware department, trading an annual turnover of NOK 30 million, equal to £ 1.5 million, see Norges Kooperative Landsforening, *Annual Report 1950*, p. 31.

⁵⁰⁴ K. Moe, 'Strømlinjeformet vareomsetning. Artikkel 1. Amerikansk engroshandel i matvarebransjen' *Forbrukeren*, 10:4 (1955), pp. 83-8 and K. Moe, 'Strømlinjeformet vareomsetning. Artikkel 2. Amerikansk engroshandel i matvarebransjen' *Forbrukeren*, 10:5-6 (1955), pp. 101-4.

⁵⁰⁵ It is revealing how the first reports from the trip, published in *Forbrukeren* in December 1954, mainly concerned the retail level, while Moe's articles concerned the operational practises of the chain stores, and specifically how they organised their system of distribution, see O. Hole, 'Noen inntrykk fra landet med verdens mest rasjonelle og effektive detaljomsetningsapparat', *Forbrukeren*, 9:9 (1954), pp. 212-16 and O. Hole, 'Noen inntrykk fra landet med verdens mest rasjonelle og effektive detaljomsetningsapparat', *Forbrukeren*, 9:10-11 (1954), pp. 235-8.

⁵⁰⁶ E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), pp. 300-1.

⁵⁰⁷ K. Moe, 'Strømlinjeformet vareomsetning. Artikkel 2. Amerikansk engroshandel i matvarebransjen' *Forbrukeren*, 10:5-6 (1955), p. 101.

merchandise in the storehouse on the basis of turnover rate, weight and volume and the introduction of pre-printed ordering lists. The first two factors were related to the how the wholesaler operated the storehouses, while the third factor concerned the relationship between the wholesaler and the retailer. When Moe returned from his study trip in 1953 he sought to transform the operations of the co-operative movement along both these major lines.

Since before the Second World War, the NKL had operated 10 regional storehouses, spread across the country. But, these were technologically inadequate and insufficient to cope with the expansion of trade following the war. In 1954 therefore, the NKL launched a comprehensive 5 year investment plan in order to make possible the ‘expansion of the NKL, its daughter companies and the retail societies’.⁵⁰⁸ We have already seen how the retail societies, actively supported by the NKL, managed to take the lead in self-service and supermarket retailing.⁵⁰⁹ The increased investments in the retail facilities of the movement had, however, to be squared with a thorough modernisation of wholesale storehouses owned and operated by the national association. Hence, in 1954 the movement set an ambitious goal ‘to build’, and ‘in the course of a few years expand ... [the] storehouses in 8 out of 10 places’.⁵¹⁰ In addition, the NKL also sought ‘to build with an eye on making our business more rational’.⁵¹¹ It was not enough to enlarge the existing storehouses, they also had to be radically modernised in order to meet the requirements of a modern and up- to- date chain of distribution. As NKL director Rolf Semmingsen noted in his speech to the 1954 Congress: ‘it is not enough that we build and obtain more square metres, it is first and foremost imperative that we build the right type of storehouses, to make sure that we obtain the highest possible rationalisation of our operations’.⁵¹² This basically implied that the movement sought to establish an encompassing system of ten regional storehouses constructed on a modern basis, with all storage space on a single floor.

The most written about opening was in Oslo, where a completely new storehouse was opened at the Filipstad dock in 1957.⁵¹³ But this was only one out of many new openings made in the 1950s and early 1960s. New or enlarged and modernised storehouses were opened all across the country, from Kristiansand and Stavanger in the south/southwest, Bergen, Ålesund and Trondheim in the western and central parts of the country, to Tromsø in the north. The many

⁵⁰⁸ Norges Kooperative Landsforening, *Protokoll over forhandlingen på Norges kooperative Landsforenings 25. kongress i Stavanger 23., 24. og 25 august 1954*, (Oslo: Arbeidernes Aktietrykkeri, 1955), p. 68.

⁵⁰⁹ See chapter two and three in the present thesis.

⁵¹⁰ Norges Kooperative Landsforening, *Protokoll over forhandlingen på Norges kooperative Landsforenings 25. kongress i Stavanger 23., 24. og 25 august 1954*, (Oslo: Arbeidernes Aktietrykkeri, 1955), p. 82.

⁵¹¹ *Ibid.*, p. 83.

⁵¹² *Ibid.*

⁵¹³ For a more elaborate description, see E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukeramvirkets historie i Norge* (Oslo: Pax, 2006), pp. 312-15.

openings reflected how the NKL sought to modernise the entire structure of co-operative storehouses according to the US system. The expansions, rebuilding and refitting, were initiated to make sure that the NKL could offer the retail societies the most efficient and up-to-date wholesale services. In addition to building the storehouses on one floor, different solutions for more efficiently storing and placing the different goods were developed along the lines advocated by Moe. Close contacts with technical consultants provided by the Marshall-aid administration eased the planning of the storehouses.

In addition to reforming the wholesale storehouses, the NKL also initiated several reforms to improve the relationship between the national wholesale federation and the retail societies. The first step in this process was to reduce the retail societies' reliance on their own wholesaling business. By 1950, many retail societies were still operating separate production and wholesaling operations. For example, the co-operative society in Oslo operated a substantial wholesaling business as well as separate coffee production facilities. During the 1950s and early 1960s, however, most production facilities operated by local retail societies were disposed of and wholesaling was made the sole responsibility of the NKL. The basic rationale was to increase the general efficiency in the entire chain of distribution by introducing a clearer division of labour between the units responsible for production and wholesaling (the NKL) and the units responsible for running the retail outlets (the retail societies). The second step was to improve the trading relationship between these two levels. This was essential in order to reap the potential economies of scale of the new technological solutions.⁵¹⁴ The major challenge was to take full advantage of the combined benefits of the self-service system and the new, mechanised storehouses. It was obvious that such an improvement in trading relations needed to involve some form of centralisation of purchasing decisions and some restraints on the individual retail society's ability to decide where and what to buy. The initial solution, persistently advocated by Moe, was to rationalise the ordering routines by introducing pre-printed ordering lists to be used by the retail societies.

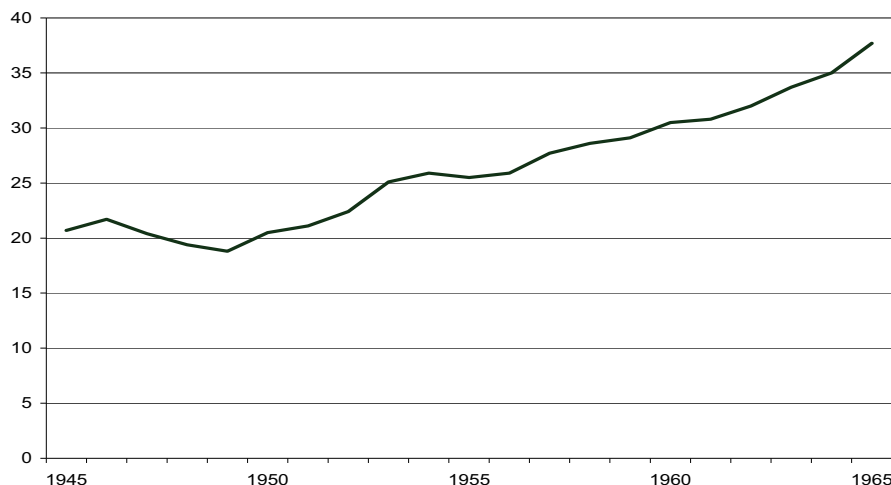
With support from technical assistants provided by the Marshall-plan administration in Paris, the NKL introduced its first measures along these lines in 1955. The system – named 'Systemkjøp' – was implemented in all districts from 1955 to 1963 and involved a series of measures that radically improved efficiency at NKLs wholesale storehouses. First of all, the goods sold at the retail outlets should be limited to a pre-agreed list, reducing the need to hold

⁵¹⁴ This and the following paragraph based on E. Ekberg, E. Lange and E. Merok, 'A successful latecomer: Growth and transformation of the Norwegian consumer co-operatives 1920-2000' *Paper presented at the XIV International Economic History Congress, Helsinki, 21.-25. August 2006*.

numerous brands within the same product line. Secondly, separate transportation routines were introduced that greatly reduced the number of orders put to the wholesale storehouses. And thirdly, the system committed co-operatives to buy a certain percentage of their goods from the NKL wholesale operation. The participating retail societies were given generous rebates in order to stimulate large orders and to enhance loyalty a set of bonuses were set up giving the local societies an incentive to increase the share of goods bought from the NKL.

The distribution system established shared many similarities with the independent chain-stores Moe had studied in the US. By rationalising the storehouse operations of the national federation, centralising all wholesaling to the NKL and simplifying the co-operation between the NKL and the retail societies, it was believed that the co-operative movement had found a system that allowed them to reap the benefits from chain store organisations, without altering the federative characteristics of the organisation. While the system fell short of completely centralising purchasing decisions, it none the less allowed for NKL to significantly increase its share of volume sold at local co-operatives. As figure 6.1 shows, after the system had been implemented in 1955 the Co-operative societies' purchase from the NKL in per cent of total purchase gradually started to improve.

Figure 6.1: Co-operative societies' purchase from the NKL in per cent of total purchase, 1945-1965⁵¹⁵



By 1960 a series of radical changes in the organisational structure and operational procedures of the co-operative movement had been introduced. These were largely inspired by US models of retail distribution and primarily introduced as a means to increase the overall productivity of the movement. At the same time, they came to form the model for other retailers still operating on outdated organisational principles. This is not to say that important rationalisations were not made on initiatives from private enterprises. Throughout the 1950s and 1960s drastic structural changes within the country's wholesale industry reduced the number of wholesalers dramatically. Gradually, the industry came to be dominated by three large wholesalers, in addition to the NKL.⁵¹⁶ These large wholesalers, the most prominent being the Oslo based company Joh. Johansson, also took an active part in rationalising and streamlining storehouse operations. In 1958 Joh. Johansson opened their first one- story storehouse, situated alongside the NKL storehouse at the Filipstad dock. A year later it introduced the so called 'Joh-systemet', an equivalent to the co-operative 'Systemkjøp'. The major goal was to rationalise operations by focusing on fewer and larger customers. The system also sought to function as an inducement for

⁵¹⁵ Adopted from E. Ekberg, E. Lange and E. Merok, 'A successful latecomer: Growth and transformation of the Norwegian consumer co-operatives 1920-2000' *Paper presented at the XIV International Economic History Congress, Helsinki, 21.-25. August 2006*. The estimation is based on NKLs annual reports for the period 1918 to 1980. Full references to statistical tables and figures can be found in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006).

⁵¹⁶ A. Strand, *Dagligvarekjøpmennene og samfunnet 1958-1988* (Oslo: Norges Dagligvarehandels Forbund, 1988), p. 30. See also D. Bredal, *Kampen om ditt daglige brød. Bak kulissene i dagligvarebransjen* (Oslo: Schibsted, 1996).

retailers to focus their buying at Joh. Johansson as their prime wholesaler. The company was also first in introducing computerised logistic systems in 1964.

The introduction of these measures led to profound savings. By 1962 the National Association of Grocers reported that overall wholesale costs in the industry had been reduced from twelve to seven and a half per cent.⁵¹⁷ The overall structure of the industry, however, remained fragmented. Most prominently, while the wholesalers rationalised, they failed to create efficient, integrated structures comprising both retail and wholesale functions.⁵¹⁸

The overall situation by the 1960s was thus that the co-op movement was leading the way in introducing the principles of chain store organisation into the Norwegian food retail market. The movement had experienced a state of internal crisis in the early 1950s. Alongside the development of new and more modern retail outlets, the movement sought to redeem the crisis by rationalising the system of distribution serving the retail stores. This process of modernising and rationalising was gradually defined as the core objective of the co-operative enterprise. The overall goal was simply to increase the welfare of the population, by way of building a more efficient system of distribution on co-operative lines. And while the private retail industry remained fragmented, the co-op movement became a driving force in the ongoing attempt to modernise the overall system of distribution within the Norwegian context.

UK: reluctance to change

The immediate post-war years had seen a rapid strengthening in the position of multiple retailers in the UK. The co-ops, by contrast, had stagnated. Despite these real development trends, the co-operative movement had showed only limited interest in discussing how the challenges facing them best could be handled. Rather, issues of trade had largely been ignored at co-operative congresses – the main arena for debate on issues of importance for the co-operative retail societies – and the movement had not made any serious attempts to reform its organisational structures. It may thus seem surprising that at the 1955 Co-operative Congress, held at Usher Hall Edinburgh, a large majority voted in support of a resolution to establish an independent inquiry commission, with the ‘responsibility of surveying the whole field of co-operative

⁵¹⁷ E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006), p. 321.

⁵¹⁸ For a full account, see J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), pp. 204-5.

production and marketing, both wholesale and retail.⁵¹⁹ The commission, later termed the Independent Commission, was appointed to 'prepare and submit ... a report and recommendations designed to secure the greatest possible advantage to the movement from its manufacturing, wholesale and retail resources and to propose to the Central Executive such methods and organisation as may be thought best suited to achieve this.'⁵²⁰

The establishment of the Independent Commission was the first sign that the British co-operators were seriously considering addressing some of the trading challenges that were facing the movement. It seemed that the movement was gradually becoming more aware of the challenges represented by the immense growth of the multiples. The fact that the commission was set up as an independent inquiry, involving several high-ranking members from outside the co-operative sphere also indicated that the movement was seriously reconsidering its self-assured image.⁵²¹ However, when looking closer at why the commission was established and how its findings and suggestions were actually received, it is the established picture of an organisation reluctant to introduce substantial changes in their organisational model that is confirmed.

Even though the Independent Commission was to be among the most extensive evaluations of co-operative trade ever made, it was not rooted in any fear of the future viability of co-operative trading.⁵²² The launch of the commission at the 1955 congress was not the result of some acute feeling of crisis in the movement. Rather, as the Co-op Union chairman John Corina underlined in his presentation of the proposal to form the inquiry: 'Let us make no mistake about it; this proposal is not due to any weakness in our resources or in our financial or economic position, but merely to a desire to adjust our economy to bring it into line with modern trends.'⁵²³

The commission was set-up to bring the co-operative form of trading 'into line with modern trends'.⁵²⁴ What did this imply? What is clear from the outset is that the report focused solely on issues of trade. It was, in the words of British historian Peter Gurney, a report brusquely dispensing with 'any utopian aspirations'.⁵²⁵ The analysis and major suggestions of the

⁵¹⁹ Co-operative Union Ltd, *Report of the 86th Annual Co-operative Congress in the Usher Hall Edinburgh May 30th, 31st, June 1st and 2nd, 1955* (Manchester: Co-operative Union Ltd, 1955), p. 331.

⁵²⁰ *Ibid.*, p. 331.

⁵²¹ Among the most distinguished members were the commission's leader, Labour MP and party leader Hugh Gaitskill, the socialist theorist and former Labour MP Anthony Crosland and the retail analyst Dr. James Jefferys,

⁵²² According to William Richardson, writing on the history of the CWS, the commission report was 'undoubtedly the most exhaustive and probably statistically the best documented investigation in the Movement's long history., see W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 213.

⁵²³ Co-operative Union Ltd, *Report of the 86th Annual Co-operative Congress in the Usher Hall Edinburgh May 30th, 31st, June 1st and 2nd, 1955* (Manchester: Co-operative Union Ltd, 1955), p. 332.

⁵²⁴ *Ibid.*

⁵²⁵ P. Gurney, 'The Battle of the Consumer in Postwar Britain', *The Journal of Modern History*, 77 (December 2005), 983.

commission were more or less completely focused on how the prospects of co-operative trading could be improved. The final report of more than 300 pages ended in a list of no less than 51 specific recommendations.⁵²⁶ These were directed partly to the retail societies, partly to the Co-operative Union and partly to the wholesale units. They varied from the very detailed to the more general and fundamental. Hence, at the more detailed end, the movement and its retail societies were advised to 'be more willing than (they have) been in the past to recruit from grammar schools and Universities', to 'adopt a more generous attitude towards salaries' and to 'be more ready to dismiss officials for slackness or incompetence'.⁵²⁷ The more groundbreaking and fundamental recommendations were of three distinct types.

The first concerned the governing structure of the two wholesale societies, the Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society. Traditionally these organisations had been governed by a democratically elected lay Board that also held full-time managerial responsibilities. According to the Commission this policy seemed both 'somewhat surprising' and 'distinctly unorthodox by either Co-operative or outside, commercial standards.', as the normal practice within retail societies was for the elected board to have only part-time appointments and confine the basic managerial functions to professional officials.⁵²⁸ Traditionally, however, this had not been viewed as a sufficiently democratic form of control by the wholesalers. But, as the Commission saw it, the existing structure was 'not, under present-day conditions, appropriate'.⁵²⁹ It was viewed neither as efficient nor capable of fulfilling the essential requirements for democratic control and it needed to be replaced by a more modern governance model. In the suggested new model, the elected board should still have ultimate control of the enterprise, but principally restrict itself to supervision and control. The daily management of the business should be entrusted to a full time managerial board chosen solely for their professional ability. It was believed that such a reform, demarcating more clearly 'between the function of management and that of democratic control', would 'be in the interests both of democracy and business efficiency'.⁵³⁰

The second major suggestion of the commission was more directly related to the competitive challenges coming from the multiple chains. It specifically concerned the dramatic weakening of the co-operative dry-goods business and the need to drastically alter the way the movement operated within this type of trade. Specifically the Commission suggested that the

⁵²⁶ See Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958).

⁵²⁷ *Ibid.*, p. 241.

⁵²⁸ *Ibid.*, p. 218

⁵²⁹ *Ibid.*

⁵³⁰ *Ibid.*, p. 220.

movement should establish a group of national dry goods chains responsible for developing the co-operative dry-goods business: 'We have ... decided that a clear case exists for the creation of national specialist bodies to develop particular sections of the Co-operative dry goods trade on multiple shop lines'.⁵³¹ The chains should be owned and controlled by the retail societies but at the same time provide substantial leverage in their day- to- day operations.

The commission's third major suggestion addressed the challenge of how to more efficiently coordinate the retail operations of the movement on a national scale. In the view of the Commission, a major challenge for the co-op movement was the lack of an efficient, central unit capable of steering the development of all retail societies in a more positive direction. The national bodies operated by the Co-op Union and the CWS had proven incapable of solving this task satisfactorily. Therefore, the suggestion was made to establish a separate, national retail body – the Co-operative Retail Development Society – to 'provide leadership and co-ordination of a kind which can only come from a national body.'⁵³² The organisation should be operated under the joint control of the Co-operative Union and the two wholesalers. Its major tasks should be to provide guidance on operational services such as buying and selling techniques, accountancy methods, office organisation, efficiency audits and so forth. It was also to provide advice on capital development, study trends in the retail industry and take charge of the development of national organisations in the retail field, most prominently the establishment of national dry goods chains.⁵³³ By way of establishing such a national body, accepting 'the responsibility for providing advice and initiating new ventures in the retail field', it was believed that 'the movement should be thoroughly equipped to meet the increasingly militant competition of private enterprise.'⁵³⁴

The report of the Independent Commission was first presented at the 1958 Co-operative Congress in Scarborough. It was then thoroughly discussed at a special national congress held half a year later. The special congress decided that all recommendations made by the commission directly affecting the operations of the wholesalers should be referred to the boards and shareholding societies of these organisations. This simply implied that the suggestions related to the governance structure of the CWS and the SCWS were to be decided upon by these organisations themselves. The other main suggestions were to be further discussed by a special

⁵³¹ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), p. 110.

⁵³² Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), p. 117.

⁵³³ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), pp. 117-31.

⁵³⁴ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), pp. 131.

negotiating committee and finally decided upon at the 1960 Co-op Union Congress, to be held in Blackpool.

It soon turned out that the scepticism towards the Commission's suggestions was profound. The first suggestion was debated by the member societies of the CWS and the SCWS at several meetings during the autumn and winter of 1957 and 1958.⁵³⁵ The final vote of the CWS was taken at a special general meeting on the seventh and fourteenth of March, and by 7,887 to 6,136 votes the suggestion was rejected. The second and third major suggestions, those of establishing national chains governed by the retail societies and of creating a separate co-operative retail development society, were finally considered at the 1960 Blackpool congress. Both the Commission's suggestions were rejected. The congress decided against the setting up of chains under the control of retail societies. It also dismissed the proposal of establishing a new, separate national retail development unit. Instead, it was decided to give some similar functions intended to be performed by the suggested new unit to a department within the Co-op union, controlled by a special committee.⁵³⁶

The 1960 Congress was in retrospect described by the Co-op Union as 'an epoch in the history of the Movement ... generator of fresh spirit of unity and of renewed determination'.⁵³⁷ The truth of the matter is that all the major suggestions made by the Independent Commission had been rejected by the movement and that very few radical changes in the structure of the movement had in fact been implemented. As Gurney has remarked, 'the commissions finding's was hotly debated in cooperative circles, then duly ignored'.⁵³⁸ The co-operators simply remained reluctant to accept that their trading position was under any direct attack and that their specific form of organising needed to be re-evaluated. Even if the figures clearly showed that the movement's economic progress had stagnated throughout the post-war period and from the mid 1950s onwards it was in fact in decline, leading co-operative managers continued to characterise any talk of decline as 'complete and utter nonsense'.⁵³⁹ Instead reference was repeatedly made to

⁵³⁵ See W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 217-23.

⁵³⁶ Co-operative Union Ltd, *Report of the 91st Annual Co-operative Congress in the Winter Gardens Blackpool, June 6th, 7th, 8th and 9th, 1960* (Manchester: Co-operative Union Ltd, 1960), p. 299. Note however, that this new unit was only a few years after it had been established.

⁵³⁷ *Ibid.*, p v.

⁵³⁸ P. Gurney, 'The Battle of the Consumer in Postwar Britain', *The Journal of Modern History*, 77 (December 2005), 983.

⁵³⁹ Co-operative Union Ltd, *A New Look at the Co-op. A radio discussion on the issues raised at the Blackpool Congress 1960 as to the best way the Co-operative Movement can challenge its chief trading rivals – the multiple stores* (Manchester: Co-operative Union Ltd, 1960), p. 8.

the 'inner strengths of the movement', and optimism remained about the future competitiveness of the traditional form of co-operative trading.⁵⁴⁰

Conclusions

The 1950s had been decade of fundamental transition. After the immediate challenges of post-war shortages and rationing had been overcome, both the Norwegian and the British consumer co-operative movements were faced with the need to drastically reorganise their basic trading structure. In the UK, multiple food retailers challenged the competitive strength of the co-op. The growth in market share stagnated and from the mid- 1950s it was in fact declining. In Norway, internal problems formed the main challenge. Private wholesalers regrouped, formed larger enterprises and sought to establish closer co-operation with selected retailers. But multiple retailing was still non-existent in Norway by the late 1950s.⁵⁴¹ Hence, the market position of the Norwegian co-ops was not seriously threatened from outside competitors. It was the internal challenges that worried the Norwegian co-operators

Throughout the 1950s the Norwegian movement was to take several major steps in transforming its organisational and operational structure. A new and energetic leadership took office at the NKL, determined to secure a bright future for co-operative trading. Attention was fully focused on the need to increase the overall economic efficiency of the co-operative system of distribution, while the moral and democratic aspects of co-operative trading were increasingly ignored. The movement rationalised and modernised its entire wholesaling apparatus and introduced new and more efficient ways of operating the trade between the local retail societies and their national wholesalers. By the coming of the 1960s the feeling of crisis and acute need for change characterising the situation in 1950 had been replaced by a qualified optimism. The movement had taken the lead in the ongoing process of rationalising the country's distribution system. And while there were still important steps to be taken, the competitive position of the co-op was secure and sound.

In the UK, while the external challenges facing the movement were much more obvious than in Norway, the perception of the main threats and the approach taken to confront them did not seem to be dealt with in a serious manner. Despite the consistent rise of the multiples, by the

⁵⁴⁰ In the expression of the general Secretary of the Co-Operative Union, Roberts Southern, in a BBC radio discussion held after the 1960 Blackpool Congress, see Co-operative Union Ltd, *A New Look at the Co-op. A radio discussion on the issues raised at the Blackpool Congress 1960 as to the best way the Co-operative Movement can challenge its chief trading rivals – the multiple stores* (Manchester: Co-operative Union Ltd, 1960), p. 10.

⁵⁴¹ J. B. Jefferys and D. Knee, *Retailing in Europe. Present structure and future trends* (London: MacMillan, 1962), p. 65.

coming of the 1950s there was no apparent feeling of crisis in the British co-op movement. As late as in 1960, leading representatives of the movement denied that the movement was in decline and the need for a drastic reorganisation in the movement's trading structure was not deemed apparent. Based on the existing trade statistics it was evident that it was the multiple retailers and not the co-ops that were leading the way in British retailing. Despite these developments, the co-operators repeatedly advocated their belief in the economic viability of co-operative trading and the movement continued to uphold a broad vision of transforming the entire structure of the retail industry towards a co-operative commonwealth.

The coming of the 1960s put further pressure on the competitiveness of co-operative trade. Most importantly, the increasing size of the multiples made possible further increases in the economies of scale realised by these retailers. Gradually, the competitive threats of the multiples and the superiority of their organisational model could no longer be ignored. To approach the challenge the co-ops needed to radically increase the size of their retail societies and gather a larger proportion of co-operative trade under centralised control. How this process unfolded in Norway and the UK and what consequences it generated for the further development of co-operative retailing in these two countries is the theme of the next chapter.

Chapter 7: Centralisation

The 1950s had been a period of transition and insecurity within the food trades. By the 1960s, however, the overall direction of development was becoming increasingly clear. A new, mass consumer society was taking shape. The competitive situation within the food trades was becoming more apparent and the demands for efficient retailing more clearly recognised. Most importantly, across Western Europe the rise of the multiple retailers intensified along well-known lines. They continued to expand the level of trade under centralised control, to standardise the operational principles of their different stores and to take further control over the system of distribution by internalising the wholesaling function. While the timing and pace of the multiples' expansion varied between countries, the economic viability of their organisational model was becoming more and more obvious. The direction was set, the remaining question was how to approach it.

The Norwegian and the British consumer co-operatives had taken different approaches to the challenges of the 1950s. In Norway, while multiple retailers had made virtually no progress, the principles of chain store food retailing had been recognised and embraced by leading co-operators. Indeed, the co-op movement had taken the lead in introducing the organisational and operational principles of the chain store within the Norwegian market. In contrast, the British co-ops had remained reluctant to make radical changes in their organisational structure. Leading British co-operators continued to advocate the pre-eminence of traditional co-operative trading principles and upheld a broad vision of transforming the retail trade on co-operative lines.

By 1960, however, the advance of the multiples could no longer be ignored. What particularly gained attention was the increasing size of their operations and the economies of scale they managed to realise.⁵⁴² Co-operative societies had also been renowned for their ability to take advantage of scale economies. Many retail societies operated several branches. By

⁵⁴² Even if the actual dissemination of the multiple form varied, the principles on which they traded were recognised also in those countries where their actual market penetration remained limited. Hence, the economic potential of the chain store and its massive expansion in the immediate post-war period was also broadly acknowledged in Norway. The most obvious proof of this is the report of the public Retail Trade Commission, published in 1957, directly stating how 'the greatest possibilities for structural rationalisation in distribution are to be found in better cooperation between the activities of the wholesale and retail levels', cited in J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007), pp. 203-4. See also chapter six in the present thesis.

establishing national wholesaling organisations they had also taken advantage of scale in buying. Indeed, by 1960 the Co-operative Wholesale Society (CWS) was still among the largest enterprises in the UK.⁵⁴³ In Norway, the largest retail societies operated larger stores and more branches than any private retailer had managed to establish. Still, on a general basis the scale advantages of the largest and most efficient multiple retailers radically outperformed most co-operative endeavours.

Hence, by the coming of the 1960s awareness gradually gained momentum among co-operators that the structure of their movement was inadequate to meet the future challenges of multiple retailing. While scale economies had been obtained in some areas and by some societies, the core organisational feature of the movement was still its numerous, small, independent retail societies operating one or a few branches. The view held was increasingly that the competitive threats of the multiples needed to be approached by way of substantially expanding the average size of the retail societies. It was simply deemed necessary to organise a larger proportion of co-operative trade under fewer units.

From the 1960s onwards, centralisation was on the main agenda among consumer co-operative societies across Western Europe. The International Co-operative Alliance held numerous conferences on the subject and within most national co-operative movements the need for the retail societies to join forces in larger trading units was widely debated – and recognised.⁵⁴⁴ Radical processes of centralisation were soon initiated. These came to take three major forms. The most widely used approach consisted of merging small, local societies into larger regional units. A second strategy was to develop retailing business under the centralised control of the national federative organisations, typically the national wholesale federation. Finally, a more radical approach consisted of merging all independent societies, as well as the national federative organisations, into one single national co-operative enterprise. Different national co-ops chose different overall strategies. From a situation where most co-operative enterprises were organised along fairly similar lines, the centralisation process starting in full from the early 1960s onwards

⁵⁴³ After the merger between CWS and the Scottish Co-operative Wholesale Society in 1973, the company was in fact among the biggest ten enterprises in the UK, see F. Müller, 'The consumer co-operatives in Great Britain', in J. Brazda and R. Schedivy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 104.

⁵⁴⁴ Evidence to support this statement can be found in the numerous articles on ongoing processes of centralisation and amalgamations in different countries, presented in national and international co-operative journals. Some examples include, C. C. Hilditch, 'The British Amalgamation Survey', *Review of International Co-operation*, 54:5 (1961), 112-17; T. Odhe, 'Swedish cooperation in a world of changing structures', *Review of International Co-operation* 52:7/8 (1959), 197-203; O. Riis, 'Danish consumer co-operation', *Review of International Co-operation* 59:3(1966), 139-41; A. Vukovich, 'The Austrian consumer co-operatives', *Review of International Co-operation* 59:5 (1966), 225-30; H. L. Jennings, 'Denmark in transition', *Co-operative Review* 41:1 (1967), 2 and A. Peter, 'New forms of collaboration between Consumer Co-operatives in the Federal Republic of Germany', *Review of International Co-operation* 66:4 (1973), 134-37.

caused the creation of a variety of structural models. Dependent on the main strategy chosen, three basic forms developed. The *standard federative model* was upheld in countries focusing exclusively on merging societies into larger units. In these countries the national federation stayed out of retailing and the traditional division of labour between local retail units and national wholesale and manufacturing associations was largely upheld. A second, *hybrid federative model* developed in countries focusing both on merging societies into larger units and developing retailing units under the centralised control of the national wholesaler. In these countries the existing operations of the retail societies were supplemented with a fully integrated national retail/wholesale enterprise operating alongside the federative structure. Finally, a third *non-federative model* was the result in countries where the national co-operative movement merged all its activities into one, national organisation. In such instances the federative structure was abandoned altogether to be replaced by a fully integrated national co-operative enterprise.

This chapter investigate how the Norwegian and the British co-operative movements approached the increasing pressure to centralise their operations. Specifically, it explores how the two movements came to develop different overall models of co-operative organisation, and discusses how these differences worked to shape their overall development.

Structural reforms in the UK consumer co-operative movement

Centralisation as a means to strengthen the competitiveness of co-operative trade was seriously on the agenda among British co-operators from 1960 onwards. Amalgamations, mergers and the development of centralised retailing operations by the national wholesalers was, however, not something entirely new to the UK co-operative movement. Indeed, already since 1901 the number of retail societies had been in decline, after a peak of more than 1,400 societies had been reached.⁵⁴⁵ Repeated commissions and reports had also been raised questioning the viability of the organisational structure on which the consumer co-ops operated. Hence, the 1893 Co-operative Congress had already discussed ‘the waste of capital and effort’ arising from societies trading in close proximity to each other and advocated amalgamation as one possible means to

⁵⁴⁵ Figures taken from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1950). Some disagreements do exist on when the number of retail societies actually peaked. Hence according to C. C. Hilditch the peak year was 1903, with 1,455 societies, see C. C. Hilditch, ‘The British Amalgamation Survey’, *Review of International Co-operation*, 54:5 (1961), 112. According to a recent study on the development of co-operative retailing in Britain, basing its estimates on figures from the reports of the chief registrar of friendly societies, the peak year was 1911, with a total of 1,770 retail societies. These estimates probably include also those co-operative retail societies not affiliated with the Co-operative Union, see M. Purvis, ‘Co-operative retailing in Britain’, in J. Benson and G. Shaw (eds), *The Evolution of Retail Systems c. 1800-1914* (London: Leicester University Press, 1992), p. 113.

solve the problem.⁵⁴⁶ From this point onwards, the advantages of centralisation had repeatedly been advocated by leading co-operative officials. The chief secretary of the co-operative union J. C. Grace, in his presidential address to the 1906 Co-operative Congress in Birmingham, went so far as to suggest a total amalgamation of all independent retail societies into one national co-operative society. While his suggestions received only limited support, the proposition clearly indicated how the advantages of scale in the operation of a retailing business were by now receiving substantial attention. Calls to increase the average size of the retail societies were again repeated by the large General Economic Survey Report presented to the 1919-1920 Co-operative Congress, specifically advocating amalgamation as a means to 'secure the greatest economy of administration'.⁵⁴⁷

Increased centralisation of the co-operative retail operations had also been advocated by the national wholesalers. Already in 1914 the Scottish Co-operative Wholesale Society (SCWS) had opened their first retail branch. It was believed that such forward integration was necessary to strengthen the dissemination of co-operative trade in Scotland.⁵⁴⁸ On similar lines the CWS in 1934 had established their own retailing organisation.⁵⁴⁹ The overall goal was to expand co-operative trade into new markets and to secure the future for existing co-operative trade by taking over the engagements of ailing societies. While the immediate effect of these wholesale controlled retailing engagements were limited, they worked to further push forward ongoing processes of centralisation within co-operative trade.

By the coming of the 1960s the question of structural transformation and centralisation of trade into larger units had thus been repeatedly discussed and advocated by the co-op movement. The number of retail societies was already in a slow, but steady decline, while wholesale controlled retail operations had started to develop, further increasing the overall level of centralisation within the movement. However, from the 1960s onwards the pressure to increase the pace of these developments radically intensified. The quest to centralise co-operative operations developed along all the three main lines mentioned. The Co-operative Union intensified its pressure on the retail co-ops to take part in mergers and increase the average size of their societies. Plans, commissions and inquiries were repeatedly initiated to investigate the economic advantages of creating larger retail units and to suggest the most rational paths of

⁵⁴⁶ This according to Co-operative Union Ltd, *Regional Plan for Co-operative Societies in England, Wales, and Ireland* (Manchester: Co-operative Union Ltd, 1968), p. 1.

⁵⁴⁷ Co-operative Union Ltd, *Regional Plan for Co-operative Societies in England, Wales, and Ireland* (Manchester: Co-operative Union Ltd, 1968), p. 1.

⁵⁴⁸ J. Kinlock and J. Butt, *History of the Scottish Co-operative Wholesale Society Ltd* (Glasgow: Co-operative Wholesale Society Ltd, 1981).

⁵⁴⁹ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977).

development. Wholesaler- owned retail co-ops, as well as separate retail branches within the SCWS and the CWS, also started to grow dramatically in size, taking over a substantial proportion of total co-operative trade. Finally, the overall federative structure was repeatedly scrutinised and the development towards a single national co-operative society was strongly advocated by co-operative managers and elected officials alike.

The first concrete step to push forward drastic centralisations was taken by the Independent Commission. In a separate chapter on 'the size and number of retail societies', the Commission had specifically discussed the need for structural reform.⁵⁵⁰ The chapter pointed directly to how 'recent decades have seen a steady trend towards larger organisations even in retailing' and that the need was acute for the co-op movement to drastically reduce the number of retail societies through mergers and amalgamations.⁵⁵¹ In the view of the Commission, 'the present large number and diverse size of Co-operative retail societies places the movement under a severe handicap in competing with the multiple shop organisations.'⁵⁵² While reductions in the number of societies had been made steadily throughout the first half of the century, the speed of centralisation had been slow. In the period from 1901 to 1950, a total of 419 societies had been wound up, merged or taken over by the retail unit of the CWS, the Co-operative Retail services (CRS). This implied a relative reduction of 29 per cent over a fifty year period.⁵⁵³ In the wake of the intensified rise of the multiple retailers, it was deemed necessary to drastically increase the pace of these structural rationalisations. As stated by the Commission: 'At the rate of progress of the last five years, we should be well into the 21st Century before the number of societies is reduced to 250. Progress in the private trade may not be quite so leisurely.'⁵⁵⁴

Following the recommendations from the Independent Commission, the Co-operative Union immediately initiated a separate survey on the subject of centralisation, the so-called *National Amalgamation Survey*. The survey was intended to work as 'a long term basic plan for the concentration of societies into autonomous units of sufficient size to allow the efficient and economic operation and development of retail co-operative outlets.'⁵⁵⁵ It was finally completed by the early autumn of 1960.⁵⁵⁶ The proposals it put forward were quite radical. Most importantly, the plan suggested that the number of societies should be more than halved, from the present

⁵⁵⁰ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), pp. 78-106.

⁵⁵¹ *Ibid.*, p. 82.

⁵⁵² *Ibid.*, p. 241.

⁵⁵³ Figures taken from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1950).

⁵⁵⁴ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), p. 98.

⁵⁵⁵ Co-operative Union Ltd, *National Amalgamation Survey* (Manchester: Co-operative Union Ltd, 1960), p. 7.

⁵⁵⁶ A lengthy description of the work conducted by the survey committee is provided by C. C. Hilditch, 'The British Amalgamation Survey', *Review of International Co-operation*, 54:5 (1961), 112-117.

figure of 875 to approximately 300.⁵⁵⁷ This was in line with the suggestions made by the Independent Commission, who had recommended 'that retail societies should accept the view that the "ideal" number of societies is in the region of 200-300'.⁵⁵⁸

The immediate effect of the plan in terms of mergers, however, remained limited. As co-operative historian William Richardson noted, the recommendation of the survey 'was honoured by obeisance but little action'.⁵⁵⁹ In the five year period preceding the publication of the survey the number of societies had been reduced by 11 per cent. In the five years immediately following the survey, the reduction was 18 per cent.⁵⁶⁰ It seems evident that the retail societies were not yet ready to accept the Co-op Union's premise that there was an urgent need to increase the size of their operations by merging with other societies. As was repeatedly noted in the previous chapter, by the coming of the 1960s there was no perceived need for radical changes among British retail societies. It is also revealing that the National Amalgamation Survey made no direct link between the need for radical amalgamation and the increasingly difficult economic position of co-operative trade. In fact, presenting the survey to the international co-operative public in the *Review of International Co-operation*, the assistant general secretary of the Co-op Union, C. C. Hilditch, specifically underlined that, 'while amalgamation is a vital topic for action, it is not to be thought that the British Movement is in decline'.⁵⁶¹ Indeed, as he continued, 'the great majority of British co-operators are already linked with large progressive societies which have tremendous potential for the future'.⁵⁶² On the basis of such reassurances from a senior Union representative, it was perhaps no surprise that immediate action on behalf of the smaller societies had to be waited for.

The lack of urgency given to the survey's recommendations was also reflected in how it was dealt with when finally presented at the 1961 congress in Scarborough. There was no separate discussion of the survey. It was not put up for a vote or made subject to any binding resolutions and only six representatives took to the podium to comment on the report.⁵⁶³ Six

⁵⁵⁷ Co-operative Union Ltd, *National Amalgamation Survey* (Manchester: Co-operative Union Ltd, 1960), p. 5.

⁵⁵⁸ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), p. 242.

⁵⁵⁹ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 258.

⁵⁶⁰ Figures estimated from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years).

⁵⁶¹ C. C. Hilditch, 'The British Amalgamation Survey', *Review of International Co-operation*, 54:5 (1961), 117.

⁵⁶² *Ibid.*

⁵⁶³ See Co-operative Union Ltd, *Report of the 92nd Annual Co-operative Congress in the Spa Grand Hall Scarborough, May 22nd, 23rd, 24th and 25th, 1961* (Manchester: Co-operative Union Ltd, 1961).

years after the survey had been launched close to 700 independent societies were still in operation.⁵⁶⁴ In order to reach the survey's goals, this figure had to be more than halved.

In 1967 a new initiative was taken by the central executive of the Co-op Union to increase the speed of co-operative amalgamations. A new major study was initiated and in 1968 the Union presented its *Regional Plan for Co-operative Societies in England, Wales, and Ireland* to the co-operative Congress, again held in Scarborough. The suggestions of the plan were much more radical than those of the *National Amalgamation Survey*.⁵⁶⁵ Its basic proposition was to reorganise the retail societies into a regional structure consisting of no more than fifty separate societies. The plan also linked much more explicitly the need for change with the pressing competitive challenges facing the movement. As was noted in the introductory part:

This regional plan ... arises out of concern for the future of the Movement under conditions of unprecedented difficulty. [...] the lack of favourable reaction by too many societies to the declared policies of the Movement in past years has produced a situation in which the inheritance of unresolved problems is making it all the more difficult for the Movement to meet and overcome the difficulties created by the economic pressures of the present time.⁵⁶⁶

The grave warnings presented seem to have had their effect. In the two year period immediately following the publication of the plan, the number of societies was reduced by a little more than a third, from 539 to 357.⁵⁶⁷ In 1970 alone, the reduction had been almost 25 per cent.

The radical effect of the plan soon faltered. Already by the mid-1970s the reduction in the number of societies was back to the pace seen in the late 1950s, with yearly decreases of between 2 and 4 per cent.⁵⁶⁸ As an attempt to give yet another boost to the centralisation process a *Regional Plan 2* was presented at the 1974 Co-op Union Congress. This time, however, while the proposal was provided with overwhelming support from the congress participants, little happened in the following years in terms of mergers and amalgamations.

⁵⁶⁴ Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1967).

⁵⁶⁵ See Co-operative Union Ltd, *Regional Plan for Co-operative Societies in England, Wales, and Ireland* (Manchester: Co-operative Union Ltd, 1968). A separate plan was set up for Scotland and published in March 1971. It envisaged the creation of five societies covering the whole country, out of the 84 that existed by the end of that year, see D. L. Wilkinson, 'Regional Plan – A Review', *Co-operative Review*, 46:1 (1972), 1.

⁵⁶⁶ Co-operative Union Ltd, *Regional Plan for Co-operative Societies in England, Wales, and Ireland* (Manchester: Co-operative Union Ltd, 1968), p. 1.

⁵⁶⁷ Figures estimated from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years). A major part of this reduction was related to the formation of the North-Eastern society, by itself embracing thirty independent retail societies, see D. L. Wilkinson, 'Regional Plan – A Review', *Co-operative Review*, 46:1 (1972), 1.

⁵⁶⁸ Figures estimated from Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years).

By 1980 there were still a total of 206 independent co-operative retail societies in the UK. The goal set by the 1960 National Amalgamation Survey had been reached, but the movement was far from the stated goals of either of the two regional plans. Moreover, while the centralisation process had been initiated as a means to meet the competitive challenges from the multiple retailers, very little had been gained in terms of increased competitiveness. Apart from a revival in the mid- 1970s, the market position of the movement continued to be one of steady decline.⁵⁶⁹ In terms of profits, the co-ops were also drastically outperformed by their major competitors. To take one example, while the food retailer Tesco had increased its profits by 1,200 per cent in real terms in the period from 1960-1970, the overall result for the co-operative sector was a fall in real profits of nearly two-thirds.⁵⁷⁰ In 1970 alone, Tesco had recorded a total profit of £16 million out of a total turnover of £ 238 million. The same year the retail societies taken together managed to produce a profit double to that of Tesco, on a total turnover nearly five times higher.⁵⁷¹ Ten years later the figures were even more alarming, with overall co-operative profitability reaching record lows of 0.8 per cent in 1980, 0.0 per cent in 1981 and minus 0.1 per cent in 1982.⁵⁷²

In the wake of these dramatic figures, yet another regionalisation plan was drawn up in 1982, 'encouraging mergers with a view to reducing the number of retail societies to 25 within two years.'⁵⁷³ This time, the effect was again substantial. While the development remained far from the goals set, by 1990 the number of societies had been reduced to seventy-seven, making for a relative reduction of 63 per cent in the preceding decade. This implied that the 1980s had seen the most substantial, relative decrease in the number of societies in the entire history of the co-op movement. The development continued into the 1990s and by 2002 the number of societies was down to forty-two, a relative reduction of another 46 per cent.⁵⁷⁴ While it had taken more than 25 years to reach the goals of the 1968 regional plan and in 2002 the goals set in 1982

⁵⁶⁹ In 1975 the movement's turnover increase was in fact exceeding that of the multiples by 2 percentage points, causing the *Financial Times* to declare that 'the Co-op ... does genuinely appear to be on the way up again'. But this was to become a short-term revival only. Figures and citation taken from J. Bamfield, 'Rationalization and the Problems of Re-positioning: UK Co-operatives Caught in the Middle, in Gerry Johnson (ed.), *Business Strategy and Retailing* (Chichester: John Wiley & Sons, 1987), p. 162.

⁵⁷⁰ This according to J. Hughes, 'The Co-operative Movement: A perspective for the 1970's', *The Society for Co-operative Studies Bulletin*, 16 (1972), 14-19.

⁵⁷¹ Figures estimated from *Ibid.*, 15.

⁵⁷² Profitability here estimated as total profit in per cent of total turnover, figures taken from J. Bamfield, 'Rationalization and the Problems of Re-positioning: UK Co-operatives Caught in the Middle, in Gerry Johnson (ed.), *Business Strategy and Retailing* (Chichester: John Wiley & Sons, 1987), p. 162. See also Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years).

⁵⁷³ Co-operative Union Ltd, *The 113th Annual Congress of the Co-operative Union Ltd held in the Dome, Brighton, from May 31 to June 2, 1982* (Manchester: Co-operative Union Ltd, 1982), p. 76. See also F. Müller, 'The consumer co-operatives in Great Britain', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989).

⁵⁷⁴ All figures from *Co-operative statistics*, (Manchester: Co-operative Union Ltd, selected years).

were still far from being accomplished, the process of centralisation had been quite substantial throughout the post-war period. By merging retail societies into larger, regional units substantial centralisation of co-operative trade had been accomplished.

The plans and surveys developed to increase the level of structural centralisation within the co-op movement had all been based on the strategy of merging existing retail societies into larger units. They solely concerned the retail level and did not involve any principle alterations in the trading relationship between the retail societies and the national wholesalers. The retail societies became radically larger but they continued operating primarily as retailers. The national wholesalers for their part were not principally affected by the ongoing rationalisations, other than having to deal with fewer and larger customers. As such, the amalgamation surveys and regional plans did not break with the traditional federative principles on which the co-op movement had long been established, operating a clear division of labour between the retailing operations of the retail societies and the wholesaling operations of the national wholesalers.

Looking closer at how the post-war centralisation process actually unfolded, however, reveals that a substantial part of the reduction in the number of retail societies did not come from amalgamations of two or more retail societies into a larger unit. A second strategy was also adopted, namely the development of co-operative retailing operations under the centralised control of the national wholesalers. And following these developments, the 1906 suggestion of J. C. Grace to gather all trade in a single, national cooperative society also gradually received more attention and support.

Forward integration and the development of a hybrid federative model

In 1928, the Co-operative Congress in Hartlepool had passed a controversial motion, allowing for the CWS to establish and operate their own, separate retail units. By passing the motion the congress broke with a long held co-operative tradition, that of keeping the retail operations of the local societies and the wholesaling and production activities of the national wholesalers strictly separate. By the end of the 1920s, however, it was believed that radical steps were necessary for the movement to be able to forcefully expand its retailing operations into new areas. As formulated in the motion: 'This congress expresses the view that the time is now opportune for the Co-operative Wholesale society to undertake retail trade in areas where there are insufficient

facilities for same, and request the Co-operative Wholesale Society to take steps to this end, in consultation with the Union.⁵⁷⁵

The CWS Retail Co-operative Society Limited (CRS) was finally formed in 1934.⁵⁷⁶ Following the original intentions of the 1928 congress, the new retail unit was primarily set up to expand co-operative trade into areas where such trade was still limited, the so-called co-operative deserts. In the course of planning the establishment of the society, the CWS board had also formulated a second main objective, stating that the society was to 'embrace ... some, if not all, of the existing societies who have fallen in evil days and who can neither hope to rehabilitate themselves by their own efforts nor to solve their difficulties by amalgamating their interests with neighbouring societies.'⁵⁷⁷ Hence, in addition to the original intention, the society was encouraged to take the role of a co-operative 'ambulance service', taking over engagements of failing societies in order to secure the future persistence of co-operative trade in the area where these originally had operated.⁵⁷⁸

The formulation of this second objective proved vital for the future development of the new society, as well as for the overall organisational structure of the co-operative movement. As it turned out, the CRS primarily grew by taking over ailing retail co-ops. Already in 1936 the first retail society transferred its engagements to the CRS. This was the Cardiff society. It was followed by Bangor in 1938 and the Hastings and Penarth societies in 1939. By 1945, nineteen more had joined, of which twelve joined in 1943 alone.⁵⁷⁹ The growth continued steadily throughout the post-war years, with a boom between 1969 and 1971, the years immediately following the publication of the first regional plan. By now, the CRS had become by far the largest retail society in the entire movement. In 1981, the engagements of the failing London society were transferred to the CRS. The transfer implied a merger of the country's two largest

⁵⁷⁵ Cited in B. J. Rose, Co-operative retail Services – A: Descriptive note', *The Society for Co-operative Studies Bulletin*, 24 (1975), 13

⁵⁷⁶ The society changed its name to Co-operative Retail Services in 1957 and was from then on known under the CRS name.

⁵⁷⁷ Cited in W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 225-6.

⁵⁷⁸ The expression 'ambulance service' is frequently used in the sources to characterise the activities of the CRS, see for example W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 234; B. J. Rose, Co-operative retail Services – A: Descriptive note', *The Society for Co-operative Studies Bulletin*, 24 (1975), 13 and B. J. Rose, Co-operative retail Services – B: Summary of S.C.S symposium', *The Society for Co-operative Studies Bulletin*, 24 (1975), 27. See also F. Müller, 'The consumer co-operatives in Great Britain'. In J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989) p. 120.

⁵⁷⁹ This according to W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 229.

retail societies, turning the CRS into a retail giant.⁵⁸⁰ By 1985, a total of 172 retail societies had transferred their engagements to the CRS. And with a turnover of £ 900 million the society accounted for one fifth of total co-operative trade in Britain.⁵⁸¹

Expanding largely by taking over ailing societies, the CRS had thus been a major force in the ongoing process of centralisation within the British co-op movement. The CRS expansion had developed alongside the ongoing mergers and implied that even if the number of societies operating in the movement still remained above the goals set by congress, the actual level of centralisation had been substantial. This process of centralisation had been supported and advocated by leading co-operators and it was seen as a vital strategic move in the day- to- day competitive race with the multiple retailers. The massive growth of the CRS, as well as the development of other, large regional societies did, however, induce new types of challenges to co-operative trade. Most importantly the ability to efficiently coordinate the many large societies into a coherent national strategy turned out to be a massive challenge.

The CRS had originally been formed by the CWS. It was partly owned by the wholesaler and half of the CRS board members were appointed by the CWS, including the chairman. The CWS also held a formal commitment to subscribe up to 50 per cent of the share capital of the CRS. As such, the relationship between the two societies was formally quite close knit. But, as the CRS grew in size and importance, the relationship with the founding wholesaler was gradually becoming one of increasing tensions and divergent organisational cultures. The co-operation between the two was becoming more and more limited. As more and more trade was gathered in the CRS, this implied a major challenge to the overall unity of the movement. These tensions became even more pronounced as the CWS from the early 1970s onwards decided to develop their own retail branch. Growing according to the CRS formulae of taking over ailing retail societies, the CWS retail branch soon developed as a major contender to the CRS position of being the largest co-operative retailer in the UK. The expansion started in Scotland where numerous retail branches were acquired during the 1970s.⁵⁸² Then, in the course of a few years

⁵⁸⁰ F. Müller, 'The consumer co-operatives in Great Britain'. In J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 121.

⁵⁸¹ R. L. Marshall, 'CWS/CRS restructuring. Foreword', *The Society for Co-operative Studies Bulletin*, 50 (1984), 45; F. Müller, 'The consumer co-operatives in Great Britain'. In J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 121.

⁵⁸² The CWS retail endeavour was sparked off by the merger with the Scottish Co-operative Society (SCS), the former Scottish Co-operative Wholesale Society (SCWS), in 1973. By the time of merger, the SCS controlled a substantial retailing business. These units were transferred to the CWS and formed the foundation of the new CWS retail branch. More Scottish retail units were also added during the mid- to- late 1970s, see J. Kinlock and J. Butt, *History of the Scottish Co-operative Wholesale Society Ltd* (Glasgow: Co-operative Wholesale Society Ltd, 1981) and S. Yeo, *A chapter in The Making of a Successful Co-operative Business. The Co-operative Wholesale Society 1973-2001* (Manchester: Zebra Publishing, 2002).

during the early 1980s, the society took control of the troubled Belfast Co-operative Society, followed by the large London based South Suburban (1984) and Royal Arsenal Co-operative Societies (1985).⁵⁸³ By 1985 CWS had become the second largest co-operative retailer in the UK. The strategic focus of the CWS management was gradually more and more directed at establishing the CWS as a co-operative multiple in its own right, operating both retail and wholesale functions within the boundaries of one single organisation.

The expansion continued during the 1990s. In 1990 CWS took over the responsibility of the financially strong North-Eastern society, one of few mergers made by strength. Four more societies were transferred in 1992, including the Greater Nottingham society.⁵⁸⁴ By now, the former wholesaler and merchandiser had in fact passed the CRS as the largest retailer in the movement, controlling close to 27 per cent of the movement's retail trade.⁵⁸⁵ Parallel to these developments, large regional societies had also been established controlling a substantial proportion of co-operative trade. While these developments implied a massive centralisation of control over co-operative trade they had the unintended effect of challenging the overall coherence of the movement. As already indicated, the large retail societies, most prominently the CRS, were less inclined to cooperate with the CWS as their national wholesaler. The large regionalised societies also tended to develop on separate strategic paths, counteracting any attempt to develop an overarching national co-operative unity. It is illustrative that by 1995 the movement operated two separate buying organisations competing for support from the retail co-ops.⁵⁸⁶ While the growth of the CRS, the increasing regionalisation of co-operative trade and the development of the CWS retail businesses played a major role in the process of centralising co-operative trade, the process failed to create the necessary unity and cooperation necessary to compete efficiently with the nationally integrated, fully standardised and centralised multiples.

The lack of national unity still marking the co-op movement by the mid- 1990s was made the subject of several internal debates. Repeatedly, the suggestion was made that the only viable

⁵⁸³ F. Müller, 'The consumer co-operatives in Great Britain'. In J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 123.

⁵⁸⁴ This according to D. Hopwood, 'The new society?', *Journal of Co-operative Studies*, 82 (1994), 23-6; Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1990/1991), p. 2 and Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1991/1992), p. 2.

⁵⁸⁵ This also placed the CWS among the largest retail co-operative societies in the world. It has not been possible to obtain accurate comparative figures, but throughout the 1970s and 1980s the CRS was repeatedly announced in British co-operative publications as the world's largest, or among the world's largest retail co-operatives (see B. J. Rose, 'Co-operative retail Services – A: Descriptive note', *The Society for Co-operative Studies Bulletin*, 24 (1975), 13; W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 224 and R. L. Marshall, 'CWS/CRS restructuring. Foreword', *The Society for Co-operative Studies Bulletin*, 50 (1984), 45). As the CWS passed the CRS in total turnover, it also captured the position of being among the worlds leading co-operative retailers.

⁵⁸⁶ See chapter eight in the present thesis for a more elaborate presentation of these two buying groups.

option was to promote a full merger of all co-operative trade into one, national co-operative enterprise. To be sure, after this idea had been launched by J. C. Grace in 1906, it had repeatedly been singled out as the only viable path for solving the trading problems of the co-op movement. Already in 1957 colonel S. J. L Hardie, in his separate minority report to the Independent Commission, had suggested the creation of 'a complete integrated retail wholesale manufacturing organisation under one body in Scotland ..., and one body in England and Wales.'⁵⁸⁷ A similar suggestion had been re-launched by the Co-op Union chairman Howard Perrow, in his presidential address to the 1979 Co-operative Congress in Eastbourne.⁵⁸⁸ But, as was noted in retrospect by the then Chief Executive of the CWS David Skinner in an article in the *Journal of Co-operative Studies*, 'this plan ... generated as many words and as little productive action as the earlier versions.'⁵⁸⁹ During the 1990s several attempts were made to re-invigorate the idea of creating a Co-op Great Britain. Most concretely, the 1994 Co-operative Congress passed a separate resolution giving general approval to the objective of creating a single national society. But, as the congress could make no binding resolutions, the years passed without any major moves being made towards the realisation of such a society.

On 2 April 2000, however, a major step towards this goal was taken when the CRS and the CWS decided to merge and form one single co-operative society, the Co-operative Group. The new society alone came to account for almost two thirds of total co-operative trade in the UK.⁵⁹⁰ The merger also implied that all co-operative buying was gradually concentrated in one single buying point. While not being framed within such a perspective, in practice, the merger brought the movement one major step closer towards realising the more than hundred year old idea of creating a single national society responsible for all co-operative trade in the country. A third society, the United Co-operative Society, at this point controlled another 12 per cent of trade.⁵⁹¹ From a situation where trade had been dispersed between more than a thousand retail societies, fifty years later three quarters of all co-operative trade had been concentrated in two large societies.

⁵⁸⁷ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), p. 280.

⁵⁸⁸ Co-operative Union Ltd, *The 110th Annual Congress of the Co-operative union Ltd. held in the Congress Theatre, Eastbourne on May 28th, 29th and 30th, 1979* (Manchester: Co-operative Union Ltd, 1979).

⁵⁸⁹ D. Skinner, 'Master plans and after', *Journal of Co-operative Studies*, 81 (1994), 13.

⁵⁹⁰ Co-operatives UK, *Consumer Co-operatives Performance Review 2003* (Manchester: Co-operatives UK, 2004). This also made the Group the world's largest consumer co-operative in terms of total assets (the largest in terms of turnover being the Swiss Migros chain), see International Co-operative Alliance, *Global 300: The world's major co-operative and mutual businesses* (Geneva: International Co-operative Alliance, 2006). See also 'Group stands tall in top 300 co-ops list', *Co-operative News*, (November 14-26 2006).

⁵⁹¹ Co-operatives UK, *Consumer Co-operatives Performance Review 2003* (Manchester: Co-operatives UK, 2004).

Overall the post-war years had witnessed a massive centralisation of co-operative trade into a few large units. This was a strategy strongly advocated by leading co-operative managers and elected officials alike. It was also one of the strategies that was relatively successfully applied by the co-operative movement. Still, the massive centralisations of trade could not stop the decline in co-operative trade from continuing. Alongside the failure to develop a competitive structure of retail shops discussed in the previous main section, the movement also seem to have failed to create an overall organisational structure capable of securing an efficient and competitive approach to the massive challenges of the food retail industry. As this sub-chapter specifically has shown, throughout the post-war years, most prominently during the 1980s and 1990s, the massive growth of the CRS and the CWS retail branch created substantial dissension within the movement. This was not solved before the two societies, after a series of failed attempts, finally merged in 2000. Despite this merger, numerous challenges in the organisational structure of the movement still remained. The movement still consisted of forty- seven independent retail societies. Of these, thirty- six were members of the national federation the Co-operative Union.⁵⁹² The former national wholesale society, now the Co-operative Group, drew more than half of its total trade from retailing operations. At the same time, the society continued to offer buying, marketing and distribution services to other co-operative societies. It also supplied the Co-op brand range of own label products to all co-operative societies. The organisation was partly owned by individual members and partly by so-called corporate members. These were in essence the remains of the original CWS member societies, still upholding their independence from the wholesaler.⁵⁹³ What had been formed in this drawn out process of structural transformation was a hybrid federative model. It was partly built on the traditional division of labour between local retail societies and national wholesaling and partly on the principle of total centralisation, as represented by the CWS/CRS retail- wholesale operations. While the model had largely fulfilled the demands for massive centralisation of trade, the overall organisational structure of the movement was still extremely complex and the efficient governance of the enterprise remained a massive challenge.

The complex structure of the British retail co-operative movement contrasts quite sharply with the development seen in the Norwegian movement. In Norway, structural transformation towards larger units followed a single strategy of amalgamation. The national association has stayed out of retailing and the federative model has remained intact as the basic organisational

⁵⁹² Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 2000/2001).

⁵⁹³ Cooperative Wholesale Society Ltd., *Annual report, 1998*; Cooperative Wholesale Society Ltd., *Annual report and accounts, 1999*.

structure framing the movement's business operations. We turn to this development in the following.

Rationalising the Norwegian society structure: the primacy of the federative model

In contrast to the British experience, by the coming of the post-war period the Norwegian co-op movement had paid only limited attention to the advantages of increasing the scale of its operations. The number of retail societies was still rising and the large majority of the societies in operation remained small, operating one or a few stores. True, the movement had since the late nineteenth century persistently advocated the abandonment of the ban on branches, as this was seen to hinder the realisation of the obvious scale advantages in operating numerous outlets under centralised control. In the 1930s, chief administrative secretary of the Norwegian Co-operative association (NKL), Randolf Arnesen had also published some general recommendations to increase the size of retail societies.⁵⁹⁴ But, while the development in the UK society structure from the early 1900s onwards had been one of contraction and concentration, the number of Norwegian societies was still expanding. There had not been any initiatives made by the NKL to develop their own retailing operations and there was no talk of abandoning the federative model in order to create one national co-operative society.

Throughout the post-war years, however, increasing attention was focused on the need for structural reform within the Norwegian movement also. But, while the UK co-ops had approached this challenge along different lines, the Norwegian movement came to follow a single strategy of amalgamation. Any talk of creating one national co-operative enterprise was soon rejected by local co-operators and leading NKL managers alike. And apart from some short lived and largely unsuccessful attempts to move into non-food retailing, the NKL remained dedicated to its role as the retail societies' wholesaler and manufacturer.

By 1960, the structure of the Norwegian co-operative movement was still extremely fragmented. The movement consisted of 1,129 retail societies, as compared to the UK figure of 859. While not such a big difference in absolute terms, in relative terms it was substantial. While the more than a thousand Norwegian societies were serving a total population of three and a half million, the less than 900 British societies in operation served a population of more than fifty million. Moreover, while the average membership of a Norwegian retail society in 1960 was 273,

⁵⁹⁴ R. Arnesen, 'Store eller små samvirkelag', (Oslo: Norges Kooperative Landsforening, 1933).

the similar figure in the UK was approximately 15,000.⁵⁹⁵ During the same year the average annual trade of a British consumer co-op was £ 1.2 million. By comparison, an average Norwegian retail society recorded a yearly trade of no more than £ 60,000. Finally, looking at the average number of branches operated by each retail society, we find that the Norwegian figure in 1960 was two. In the UK it was thirty-four.⁵⁹⁶

The fragmented and small scale character of the Norwegian consumer co-op had been one of the major worries of the new NKL leadership taking office after the Second World War. Already in 1946 Peder Soiland, the newly appointed staff member in the organisational department and later elected secretary of the NKL board, had initiated a major debate in the co-operative journal *Forbrukeren* on how to deal with the fragmented nature of the movement. The debate ended in the creation of a separate research committee to investigate the overall structure of the retail societies. The recommendations of the committee, presented to the NKL board of representatives in 1950, remained very general in character, however, and largely came to nothing. Indeed, throughout the early and mid-1950s the number of co-operative retail societies continued to increase. The explosive growth seen in the immediate post-war years had slowed down, but a gradual yearly increase implied that by 1956 a total number of 1,165 co-operative societies had been established.⁵⁹⁷ Consequently while the potential problems inherent in the small-scale nature of the co-op movement had immediately been recognised by the new NKL leadership, the attitudes held at NKL headquarters still had only a limited dissemination at the local level.

Nevertheless, gradually attitudes were changing. From 1956 onwards, more than fifty years after the trend had been reversed in the UK, the number of societies started to decline. Four years later the NKL congress in Narvik unanimously passed a resolution calling for increased 'concentration of our forces' as a necessary tool to meet future challenges.⁵⁹⁸ The resolution was based on a broad investigation of the *Current challenges in the co-operative retail trade*, initiated by the NKL board and conducted throughout the preceding year.⁵⁹⁹ In presenting the

⁵⁹⁵ This according to the official statistics as presented in Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1950). While these figures are probably somewhat inflated, the general point still holds, see chapter 6 in the present thesis.

⁵⁹⁶ All figures estimated from Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006); Co-operative Union Ltd, *Co-operative statistics*, (Manchester: Co-operative Union Ltd, 1950) and A. Heston, R. Summers and B. Aten, *Penn World Table Version 6.2*, (Philadelphia: Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, September 2006).

⁵⁹⁷ See chapter six in the present thesis for a short account. Figures from Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁵⁹⁸ Norges Kooperative Landsforening, *Protokoll over forhandlingen på Norges kooperative Landsforenings 28. kongress i Narvik 1960* (Oslo: Aktietrykkeriet, 1960), p. 137.

⁵⁹⁹ K4, 4A.3.4, Sekretariatet 1962, 'Aktuelle problemer vedrørende den kooperative detaljomsetning: innstilling fra det utvalg N.K.L satte ned den 24. januar 1959.

investigation's major findings to the Narvik congress, head of the NKL organisations department Reidar Haugen noted how, while the movement had 'made substantial progress in rationalising and making our stores more efficient' the trade was still 'organised in small units which with certainty are ... highly irrational'.⁶⁰⁰ On these grounds it was deemed necessary by Haugen and the research committee he headed to achieve 'a more substantial interplay between co-operators in the large cities and regions and the surrounding district areas'.⁶⁰¹ Simply speaking, what was needed was 'concentration in larger units'.⁶⁰²

The Narvik congress was to become a turning point in the process of restructuring in the Norwegian co-operative movement. While the previous decade had seen a reduction in the number of societies of 0.3 per cent, in the period from 1960 to 1970, a total of 374, or 33 per cent of all societies were either amalgamated into larger units or wound up.⁶⁰³ Compared to the UK development, which experienced a disappearance of more than 50 per cent of all societies during the 1960s, the decrease was not very impressive. Considering that the structure of the Norwegian movement had been much more fragmented from the start, the development actually implied that the difference between the two movements, in terms of the level of centralisation, was becoming even more pronounced. Leading NKL managers and elected officials, also repeatedly complained about the lack of progress made in the field of structural transformation.

An obvious challenge for Søliland and his fellow advocates of structural reform was to convince the local societies that the creation of larger units was in fact necessary.⁶⁰⁴ Fragmentation and small-scale operations continued to mark the private retail sector and the future competitiveness of co-operative trade was not directly threatened. The feeling of economic crisis which finally caused drastic amalgamations in the UK by the end of the 1960s, was simply not present in the Norwegian context. After about a third of all societies had been involved in some form of structural rationalisation during the 1960s, the 1970s saw only limited progress in the field. At the NKL Congress in Stavanger in 1980 Peder Søliland had to admit that 'during the last decade we have not achieved much as regards to an improvement in our way of cooperating'.⁶⁰⁵ In fact, 653 independent retail societies were still operating in the movement in 1980, which meant that during the 1970s the total number of societies had only been reduced by

⁶⁰⁰ Norges Kooperative Landsforening, *Protokoll over forhandlingen på Norges kooperative Landsforenings 28. kongress i Narvik 1960* (Oslo: Aktietrykkeriet, 1960), p. 88.

⁶⁰¹ *Ibid.*, p. 91.

⁶⁰² *Ibid.*

⁶⁰³ 72 societies were wound up and 302 amalgamated, figures adopted from Norges Kooperative Landsforening, *Annual Report* (selected years).

⁶⁰⁴ The following paragraph is largely based on E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), pp. 355-9.

⁶⁰⁵ Norges Kooperative Landsforening, *NKLs 35.kongress Stavanger 19.-21. september 1980. Stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1980), p. 72.

a hundred or 13 per cent. During the following two decades the pace increased quite markedly. Hence, the 1980s saw an overall decrease in the number of societies of thirty per cent, while the 1990s alone saw a reduction of close to fifty per cent of all retail societies. Still, by 2002 a total of 239 independent retail societies were still in operation within the co-op movement. These were responsible for a total retail trade of close to NOK 30 billion, equal to £ 2.5 billion.⁶⁰⁶ By comparison, the 42 retail co-ops operating within the British co-op movement by this point traded an annual turnover of £ 12.5 billion, of which roughly half came from retailing alone.⁶⁰⁷

As an overall trend, the differences between the Norwegian and the British consumer co-ops in terms of their level of centralisation had become even more pronounced throughout the post-war years. As we recall, in the 1960s the average number of outlets per Norwegian co-operative society had been two, while the similar figure for UK retail co-ops had been thirty-four or seventeen times higher. In 2002 Norwegian retail societies operated an average of six outlets. The similar figure for UK co-ops was 132 or twenty-two times higher. The major reason for this marked difference was that the Norwegian retail co-ops had been less willing to merge their operations into larger units than the British retail co-ops. Further adding to this difference was also the fact that the NKL had not integrated forward into food retailing. Apart from some unsuccessful and short-lived attempts to expand into the dry goods trade, the NKL remained dedicated to its role as the retail societies' wholesaler.⁶⁰⁸ The strategy of increasing centralisation by way of forward integration by the wholesaler had therefore not been adopted by the Norwegian co-operators. As opposed to the experience in the UK movement, there was thus only a limited pull from the national wholesaler to increase the speed and extent of centralisations. Food retailing remained the sole responsibility of the retail societies, who also fully controlled the pace of the ongoing amalgamations. The development reflected a consistent attitude among the retail societies on the value of local independence and for maintaining a clear division of labour between the retail societies and the wholesale unit.

This attitude was also reflected in the fact that the Norwegian movement never seriously debated the possibility of creating a single national co-operative movement. While the UK

⁶⁰⁶ All figures estimated from Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁶⁰⁷ The other half came from funeral services (29 per cent), Travel agencies (10 per cent), Motor Trades (9 per cent) and Dairy (3 per cent), Co-operatives UK, *Consumer Co-operatives Performance Review 2002* (Manchester: Co-operatives UK, 2003).

⁶⁰⁸ More thorough examinations of these unsuccessful attempts can be found in E. Ekberg and J. Vatnaland, *Visjonen som brast. Forbrukersamvirkets møbelsatsing 1993-2001* (Oslo: Institutt for samfunnsforskning, 2003); E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006). See also E. Ekberg, E. Lange and J. Vatnaland, *Organizational Dynamics of Success and Failure: The Failed Expansions of the Norwegian Consumer Co-operatives 1990 – 2000*, Paper to the Tenth annual conference of the European Business History Association, Copenhagen August 17-20, 2006.

movement had discussed this possibility on numerous occasions, such a debate was never officially launched within the Norwegian movement. The NKL chairman Peder Søliland had privately been supportive of the idea of a single Norwegian Co-operative Society.⁶⁰⁹ But opposition to such a development was so fierce that Søliland could not promote and officially defend his private view without risking his position as chairman. Both the majority of retail societies and leading NKL managers defended the federative model. For example, Knut Moe, the leading administrative manager in the NKL, rejected the idea of a single national society as unrealistic.⁶¹⁰ Moe's main ideal was still to develop a co-operative, voluntary chain where local retail societies and national wholesaling was kept separate. To achieve this goal neither forward integration by the wholesale nor complete centralisation of all the movement's operating units were regarded as appropriate means.

The traditional federative model thus persisted as a defining feature of the Norwegian co-operative movement throughout the second half of the twentieth century. While the NKL repeatedly advocated amalgamations and the establishment of larger units, the movement continued to rely on numerous independent retail societies, with the NKL as their main wholesale provider as well as manufacturer of some selected products.⁶¹¹ The level of centralisation therefore remained much less pronounced in the Norwegian than in the British movement. However, this development did not hinder the further advance of the Norwegian co-ops.

Conclusion

Structural rationalisation through the creation of larger retail societies represented one of the major steps taken by consumer co-operative movements across Western Europe from the 1960s onwards. The major objective of such centralisation was to increase the effectiveness of the co-operative trading operations in order to better confront the competitive pressures from the multiple retailers. Three major strategies were chosen. Small societies were merged to form larger regional units. Further, in some countries, national wholesaling organisation integrated forward and developed separate retail branches operating under centralised control. This was either done

⁶⁰⁹ K4, arkiv på administrasjonens forværelse, Peder Sølilands etterlatte materiale.

⁶¹⁰ At the NKL congress in 1980, Moe explicitly stated that 'the road towards "the co-operative society of Norway" is long and winding, and I do not believe that it is appropriate to start thinking in such terms at present', Norges Kooperative Landsforening, *NKLs 35.kongress Stavanger 19.-21. september 1980. Stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1980), p. 110.

⁶¹¹ By the end of 2001, the NKL operated four manufacturing industries, producing coffee, margarine, jam, fruit juices, and bakery products (Coop NKL BA, *Annual Report 2001*, p. 17).

by taking over the engagements of ailing retail societies, by expanding organically, or by acquiring existing, privately owned retail operations. Finally and most radically, total amalgamation of all independent retail societies, as well as their national federative organisations, was discussed, deliberated upon and also introduced in some countries.

As the above presentation has shown, the Norwegian and British consumer co-operatives approached the quest for structural reform differently. In both countries the advantages of centralisation were duly recognised. And from the 1960s onwards a major process of structural rationalisation through the amalgamation of societies into larger units began. The speed and extent of the process, however, varied between the countries. The number of societies decreased more substantially in the UK than in Norway. And the size of the Norwegian retail societies remained on average much smaller than the British.

The major cause of this difference was related to how the UK movement in addition to amalgamations chose a strategy of forward integration by the wholesalers. To increase the speed and the extent of the centralisation process it abandoned the strict federative structure and adopted a hybrid model where the national federation took on both retail and wholesale functions. By contrast, in Norway the federative structure was defended. The NKL largely stayed out of retailing and the traditional division of labour between the national wholesaler and the local retail societies was upheld.

How did these differences shape the development of the two movements? The question can not be given a straightforward answer. However, it is evident that despite the more radical levels of centralisation seen in the UK, it was the Norwegian movement that advanced economically. The strategy of centralisation had been pushed forward by the belief that larger retail units operating more branches under centralised control would be able to compete more efficiently. But, as it turned out, high degrees of centralisation alone could not stop the deteriorating market position of the British co-ops. Quite to the contrary, despite the fact that the level of centralisation in the Norwegian movement remained limited and that it continued to rely on an organisational separation of the retail and wholesale units, it managed to strengthen and stabilise its market share. Thus, it seems evident that centralisation by itself could not solve the organisational challenges confronting post-war consumer co-operative societies.

The process of centralisation carried out in the British movement caused the establishment of what we have termed a 'hybrid federative model'. In Norway the end result was the continuation of a 'standard federative model'. While the British model implied a higher degree of centralisation it also created some fundamental organisational challenges. Most prominently, it weakened the national coherence of the movement and hindered an efficient,

national coordination of co-operative trading. The long-term conflict between the CRS and the CWS is indicative. Large regional societies also developed their own store formats, practised separate marketing schemes and operated independent distribution and wholesaling facilities. It is revealing how the British movement was not alone in experiencing these challenges. Indeed, in France problems of coordinating the activities of regional, co-operative strongholds and agreeing on a common, national strategy were regarded as major reasons for the total collapse of the country's consumer co-operative movement during the mid-1980s.⁶¹²

In the UK, further problems were created by the hybrid structure developed as the CWS moved into retailing and sought to combine its role as a national wholesaler with that of a regular retailer. The end result of this development was an overall organisational structure where responsibilities, managerial authority and democratic governance were mixed together in an extremely confusing and over-complex structure. Similar stories can be told about the recent history of the Swedish and Danish co-operative movements. In both these countries the national co-operative wholesalers integrated forward into retailing as a means to counter the lack of progress experienced by the co-operators during the 1970s and 1980s. But in these countries also the resultant complexity of their organisational structures caused a further weakening of their position. In Sweden the co-op movement lost 15 per cent of its entire market share during the 1990s.⁶¹³ In Denmark while market shares largely remained unchanged, financial weaknesses had almost caused the collapse of the entire movement before it was saved by a merger of the Scandinavian national co-operative associations in 2002.⁶¹⁴ Consequently, in all these countries, while forward integration by the wholesalers increased the level of centralised control over the retailing function, the ability to efficiently coordinate the overall co-op movement and develop a coherent and unifying national strategy remained a major challenge.

The decision to merge the CRS and the CWS may have solved some of the conflicts and challenges hampering the movement's progress. But, as we have seen, both the overall operational pattern and the governance structure of the movement remained highly complex. Moreover, if the strategy of creating a single, fully integrated, national co-operative enterprise is to finally become realised, available comparative evidence does not provide any reassurance as to

⁶¹² See R. Schediwy, 'France', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 2* (Geneva: International Co-operative Alliance, 1989). See also J. Brazda and R. Schediwy, 'Consumer co-operatives on the defensive. A short overview', in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989).

⁶¹³ Figures adopted from H. Kylebäck, *Varubandeln i Sverige under 1900-tallet* (Göteborg: BAS, 2004) and International Co-operative Alliance, *Statistics and information on European Co-operatives* (Geneve: International Co-operative Alliance, 1998).

⁶¹⁴ For a full account see E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006), pp. 572-606.

the economic viability of such a model. Both the Austrian and the German co-op movement collapsed shortly after national co-operative societies had been established in these countries.⁶¹⁵ And in Finland the so-called 'E co-operatives', the smaller half of the two-pieced Finnish consumer co-operative movement, were close to collapse in 1995, after having merged twelve years earlier to form one, integrated national society, the EKA co-operative.⁶¹⁶

Massive centralisation of trade was a necessary strategic step for co-operative movements facing the increasing size and strength of the multiple retailers from the 1960s onwards. But, it was not a sufficient solution. The centralisation process had to be accompanied by a clear strategy for how to coordinate the increasingly large and strong co-operative societies into a coherent national unity. In instances where the centralisation process was pushed forward by national wholesaling organisations integrating forward into retailing, the demands for such coordination became even more pronounced. The example of the Norwegian co-op movement thus represents an interesting contrast to the developments taking place in many other countries. In the Norwegian movement, centralisation of trade remained less pronounced. The more modest, average size of the retail societies facilitated a gradual increase in the overall, national coordination of co-operative trade. Similar store formats were adopted across society structures and national marketing campaigns were embraced by all societies. And while many of largest societies were inclined to trade independently of their national wholesaler, throughout the post-war years the NKL managed to steadily increase the overall trading loyalty of the movement and also to sustain the general support from the largest societies.⁶¹⁷ The movement also upheld a strict division of labour between the national wholesaler and the local retail societies. The NKL stayed out of retailing while at the same time taking full responsibility for distribution and wholesaling. The overall governance structure therefore remained comparatively simple and straightforward. Taken together it seems clear that these factors were decisive in creating the sustained competitiveness of Norwegian co-operative trade throughout the 1980s and 1990s.

Comparative evidence is again revealing. After having been on a more or less continuous decline throughout the 1970s and 1980s, the market share of the Finnish S consumer co-

⁶¹⁵ For the development in Austria, see R. Blaich, 'The consumer co-operatives in Austria', in J. Brazda and R. Schediwy (eds.), *Consumer co-operatives in a changing world*, vol. 2 (Geneva: International Co-operative Alliance, 1989); K.P. Kornholz, 'Konsum Austria is launched. National co-operative history and make-up', *Co-operative Marketing and Management* 4. (1978), 6-12 and R. Schediwy, 'The decline and fall of Konsum Austria', *Review of International Co-operation* 89 (1996), pp. 62-8. For the development in Germany, see R. Schediwy, 'The consumer co-operatives in Germany', in J. Brazda and R. Schediwy (eds.), *Consumer co-operatives in a changing world*, vol. 1 (Geneva: International Co-operative Alliance, 1989).

⁶¹⁶ R. Schediwy, 'The consumer co-operatives in Finland', in J. Brazda and R. Schediwy (eds.), *Consumer co-operatives in a changing world*, vol. 2 (Geneva: International Co-operative Alliance, 1989).

⁶¹⁷ For a more elaborate analysis of these developments, see chapters five and eight in the present thesis.

operative rose from about 16 per cent in 1990 to more than 31 per cent in 2002.⁶¹⁸ Throughout this process of expansion, a genuine federative structure was kept intact, consisting in 2002 of 23 regional co-operatives and 20 local co-ops, with the SOK as their national wholesaler.⁶¹⁹ The division of labour between the regional and local retail societies on the one hand and the national wholesaling unit on the other was upheld and SOK could more efficiently lead and develop the entire movement in a coordinated fashion.⁶²⁰

Existing comparative evidence thus tends to suggest that centralisation as a strategy to increase the competitiveness of co-operative retailers, in order to be successful, had to be squared with the ability to coordinate the activities of the retail and wholesale units in a consistent, national strategy. Centralisation of co-operative trade was intended as a means to fight off competition from the multiples. But as we recall, the major recipe of these retailers consisted of more than just increased centralisation of control. It also relied on standardisation and integration. For any structural model to be successful, it had to be accompanied by a tight operational integration between the retail and the wholesale levels and a high degree of standardisation across the boundaries of the different retail units. Centralisation was not enough; it had to be supplemented by standardisation and integration. What the present analysis has indicated is essentially that while the UK movement managed to centralise its operations into larger units at a more substantial scale than the Norwegian co-ops, the strategies applied to obtain the desired level of centralisation hampered the movement's ability to standardise operations and integrate the chain of distribution. The Norwegian movement by contrast, with its more limited level of centralisation and stricter division of labour between the retail and the wholesale level, was in a better position to align the demands for centralised operations with those of standardisation and integration. Different responses to the quest for centralisation and structural reform thus fundamentally shaped the two movements' abilities to implement and capitalise on the other features shown to be essential in the development of an efficient and competitive food retailing business, namely those of standardisation and integration. How these differences unfolded and made themselves felt in practice will be the subject of the next chapter.

⁶¹⁸ SOK *Annual report, 1997* and SOK *Annual report, 2002*.

⁶¹⁹ SOK *Annual Report, 2002*. In 2005 the numbers were 22 regional co-operatives and 19 local co-operatives. (SOK *Annual report, 2005*).

⁶²⁰ The SOK also took on some business operations on its own, primarily the Sokos department stores, some speciality stores, Sokos hotels, a group of restaurant chains and Agrimarkets. In 2003 this activity accounted for 18 per cent of total sales in the group, see SOK Annual report 2003.

Chapter 8: Integration and standardisation

The transformation of food retailing in the post-war era was at its most visible at the retail level. The growth in the size of the stores and the transfer to self-service outlets changed the very outlook of the food retailing business dramatically. The increasing size of the dominant retailers in terms of the number of stores operated was also an important aspect of the changes taking place. Indeed, from the very outset, the development of the multiple form of retailing was fundamentally connected to the economic rationale of operating more than one store under centralised control. As we recall, the very definition of the multiple retailer was related to the number of stores they operated. 'Multiple shop organisations' are, as retail analysis James Jefferys and Derek Knee noted in their 1962 study of *Retailing in Europe*, 'firms operating ten or more retail branches'.⁶²¹ The ability to operate numerous branches under centralised control and to reap the economies of scale inherent in such an organisational model was an essential feature in the advance of the multiple retailer.

The co-op movement struggled hard to compete with these operational and organisational features. As has been shown in the previous chapters, the ability to confront the challenges of the new retail formats and the increasing size of the multiples was fundamental in shaping the growth and competitiveness of co-operative trade. We have seen how the Norwegian and British consumer co-operative movements dealt with these challenges and how differences in approach subsequently shaped their divergent development. Still, while organisational centralisation and the parallel ability to develop competitive retail formats were important features in the multiples' success formula, these retailers also operated with other advantages. Most prominently, they capitalised on their ability to operate their many different stores at a low cost and to serve these stores more efficiently than their competitors. By standardising the operational procedures and by making the wholesaling function an integrated part of the retailing enterprise, they managed to reap the full economic benefit of operating numerous branches under centralised control. As retail researcher Leigh Sparks has noted in terms of distribution, 'As retailers began to grow larger and as they operationally began to change their outlets ..., so their

⁶²¹ J. B Jefferys and D. Knee, *Retailing in Europe. Present structure and future trends* (London: MacMillan, 1962), p. 53.

physical distribution demands altered. In particular retailers began to integrate the distribution mix elements by internalizing the wholesaling function'.⁶²²

To compete efficiently in the post-war food retailing market it was thus not enough to operate a huge number of (large) stores under centralised control. In order to fully exploit the economic advantages of operating several branches, the stores had to be operated on a standardised and coordinated basis. While the possible advantages of such organisational integration and standardisation had been recognised and partly practised by many food retailers by the end of the Second World War, it was not until the 1970s and 1980s that the true economies of this advantage began to be fully utilised.⁶²³ A major challenge for the co-operative societies, intensifying in both Norway and the UK from this period onwards, was how to efficiently coordinate their operations and develop their system of distribution to confront the increasing level of organisational standardisation and integration applied by the multiple retailers.

On the one hand, the existing organisational structure of the co-ops gave them some natural advantages in this respect. Since its early beginnings, co-operative retail societies had relied on bulk buying and dedicated distribution from their own federal wholesaling unit.⁶²⁴ As such, the wholesaling and retailing functions were already integrated by way of ownership. On the other hand, however, while the retail societies and the wholesale federals continued to exist as autonomous units, the basic rationale of the integrated chain store was to eradicate the organisational borders between the retail and the wholesale function. The outlook of the stores, the assortment held and the operational procedures on which they traded were controlled by company headquarters and standardised across the numerous branches. Buying, distribution and selling was a carefully integrated process where the central unit had the upper hand and the retail managers had to comply with the demands and specifications set by this unit.

Compared to the standardised and integrated enterprise, the ownership model of the co-ops was based on an inverted structure. In the traditional federative co-operative model the small, local retail units owned and controlled the larger wholesaling unit. To fully take advantage of the integrated and standardised model, this control structure had to be reconsidered. In one way or other, the retail societies had to renounce some of their trading autonomy and decisions concerning fundamental trading policies of each individual society had to be centralised to the national federal. Such a transfer of responsibilities from the local to the national level would,

⁶²² L. Sparks, 'Delivering quality. The role of logistics in the post-war transformation of British food retailing', in G. Jones and N. J. Morgan (eds), *Adding Value. Brands and marketing in Food and Drink* (London and New York: Routledge, 1994), p. 297.

⁶²³ See N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002), pp. 83-9.

⁶²⁴ For a short description, see chapter six in the present thesis.

however, also imply disconnecting substantial trading issues from local democratic procedures. Along similar lines as centralisation into larger trading units, the development of a truly standardised and integrated retail chain challenged fundamental aspects of the co-operative enterprise, namely that of its basic reliance on local, autonomous, democratic decision-making units.

This chapter investigates how the challenge of integration and standardisation was approached by the UK and Norwegian consumer co-operative movements. Specifically, it investigates to what degree standardisation and integration were regarded as important means to meet the challenge of the multiples. It further seeks to show how the co-operative movements in Norway and the UK managed to realign the democratic demands for local autonomy with the economic demands for national standardisation and integration.

Attitudes towards integration among UK co-operators

Organisational integration was not the main focus of British co-operators in the immediate post-war years. As we have seen in previous chapters, throughout the 1950s and 1960s the movement remained preoccupied with reforming its retail outlets. Gradually, increasing attention was also given to the need to reform the overall structure of the movement by increasing the size of the retail societies through amalgamations and transfer of engagements to the CRS. In terms of distribution, however, the attitude was largely that the existing co-operative system was competitive.

The lack of strategic focus on the possible advantages of reforming the co-operative system of distribution was in many ways understandable. First of all, it is evident that by the coming of the 1950s the co-operative retail societies and their national wholesalers already cooperated closely. As figures from the Independent Commission had shown, retail societies on average received close to 75 per cent of their total supplies of groceries from the national wholesale societies.⁶²⁵ This may also explain why the Commission only indirectly concerned itself with distribution. While presenting numerous different recommendations to the movement, few were related to the possibility of increasing the overall competitiveness by more closely integrating the retail operations of co-operative societies with the wholesaling operations of the Co-operative Wholesale Society (CWS) and the Scottish Co-operative Wholesale Society (SCWS).

⁶²⁵ Co-operative Union Ltd, *Co-operative Independent Commission Report* (Manchester: Co-operative Union Ltd, 1958), p. 13.

As co-operative historian William Richardson also noted, 'the independent commission ... tackled the problem primarily from the retail side'⁶²⁶

A second factor may be related to how, by the mid- to- late 1950s, the actual economic advantages of more closely integrating the distribution function were not fully recognised by the multiple retailers. Also among these retailers, most attention remained on expanding the size of the retail outlets and on adopting the self-service and supermarket method of trading. There was thus limited pull from the competitors to seriously reconsider the system of distribution operated by the co-ops.

On the basis of such and similar considerations, a widely held attitude among UK co-operators by the coming of the 1960s was that the system of distribution operated by the co-ops was not in immediate need of reform. Rather, the focus of attention was on the need to modernise the co-operative retail outlets and gradually also on reforming the organisational structure of the movement by way of amalgamations. As the food trades officer of the Co-operative Union H. L. Jennings noted in the 1961 Congress debate on the report of the Grocery and Provisions Trade Association: 'Nobody will deny that good buying is essential, but the heart of the problem which faces us today is to start trading in units in which our costs of retailing, our operating costs, are low. [...] It is a problem of retail selling, of reorganising our selling methods and not primarily one of buying.'⁶²⁷

While these attitudes were partly understandable, the premises on which they rested soon had to be revised. Throughout the 1960s and 1970s the large multiple retailers were to pay increasing attention to the economic potential in reforming the system of distribution on which they traded. Indeed, some of the major food retailers had already developed a wide-ranging and carefully planned system of distribution.⁶²⁸ As Sparks has shown, however, it was from the 1960s and 1970s onwards that the process seriously began and that the 'multiple retailers progressed from being the innocent recipients of manufacturers' transport and storage whims, to controlling and organizing the supply chain, almost in its entirety.'⁶²⁹ The reasons behind this development were numerous. As competition intensified, distribution costs gradually started to become a major target for change. Retailers established their own regional distribution centres to better

⁶²⁶ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 259.

⁶²⁷ Co-operative Union Ltd, *Report of the 92nd Annual Co-operative Congress in the Spa Grand Hall Scarborough May 22nd-25th, 1961*, (Manchester: Co-operative Union Ltd, 1961), p. 336.

⁶²⁸ The case of Sainsbury's is indicative, see B. Williams, *The Best Butter in the World. A History of Sainsbury's* (London: Ebury Press, 1994).

⁶²⁹ L. Sparks, 'Delivering quality. The role of logistics in the post-war transformation of British food retailing', in G. Jones and N. J. Morgan (eds), *Adding Value. Brands and marketing in Food and Drink* (London and New York: Routledge, 1994), p. 331.

control the flow of goods into the stores. By integrating the wholesaling function, uniform stock control methods could be applied throughout the organisation. Buying was made the sole responsibility of a centralised buying unit and store managers were increasingly forced to adhere to a centrally decided, restrictive stocking range. The result was huge savings caused by reduced overall stock holding and increased frequency of stock turnover.⁶³⁰ Hence, from a period where the development of new retailing techniques, of increasing the average size of the stores and adding more branches was the major focus, supply and the need to rationalise the existing system of distribution gained increasing attention. As Powell has remarked in the case of Tesco, 'the company recognised that it was as much in the business of distribution as of retailing.'⁶³¹

As the multiple retailers developed their distribution system into fully integrated structures comprising both retail and wholesale functions, the distribution system operated by the co-ops was gradually looking more and more old-fashioned. Despite the fact that the co-op movement had developed a fairly tight integration of the retail and wholesale functions in terms of overall buying, actual coordination between the two levels remained negligible. The retail societies did indeed buy a substantial proportion of their total supplies from the CWS. But the overall system of distribution was hampered by fragmentation. First of all, the different societies' buying policies remained highly uncoordinated. Each and every society bought their supplies from the wholesale on a fully independent and uncoordinated basis. As was noted in a Co-op Union *Trade Advisory Bulletin* on the subject of coordinated buying: 'the overwhelming volume of regular buying for the needs of societies ... remains... in the hands of the buyers of the individual societies.'⁶³² As the movement still consisted of a large number of independent retail units, the end result of this trading policy was a proliferation of orders over many suppliers. As an example, a study made by the CWS of twenty-four shops operated by sixteen different societies in the Newcastle district showed that these stores altogether stocked 11,812 separate lines. These lines were drawn from no less than 1,200 suppliers. Only fifty-one lines were stocked by all stores.⁶³³

This total lack of coordination between the different societies' buying policies was further complicated by the limited coordination between the retail and the wholesale levels. While the CWS and the SCWS accounted for a substantial share of the retail societies' total purchase, the trading relationship between the two wholesalers and the retail organisations continued to be

⁶³⁰ See Powell for an enthusiastic description of how this development unfolded in Tesco from the late 1970s onwards, D. Powell, *Counter revolution. The Tesco Story* (London: GraftonBooks, 1991), pp. 182-94.

⁶³¹ *Ibid.*, p. 184.

⁶³² Co-operative Union Ltd, 'Group activity in grocery', *Trade Advisory Bulletin*, 8 (1963), 1.

⁶³³ Study cited by W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 279-80

based on a traditional buyer-seller association. The CWS was not in position to plan the stock held by independent retail societies. Quite to the contrary, the wholesaler was fully dependent on the willingness of the retail societies to continue trading with them and had to compete for this trade with other suppliers. As a consequence it was impossible for the wholesalers to rationally plan their stock holdings.

Despite the ongoing changes among the multiples and the subsequent impression that the existing co-operative system of distribution was becoming old fashioned, British co-operators remained preoccupied with developing its retail outlets and with reforming its overall structure. The 1960 amalgamation survey had been wholly directed at reducing the number of retail societies through amalgamation. It exclusively concerned itself with the structure of the retail societies. Two years later a separate National Federation Negotiating Committee (NFNC) was set up to investigate the possibilities of merging the CWS, the SCWS, the Co-operative Union and the Co-operative Productive Federation into a single national federation.⁶³⁴ This time, however, the focus was exclusively on the overall structure of the federative organisations, while the trading relationship between the federal wholesale societies and the retail societies was given only limited attention. As the co-operative historian William Richardson noted, while the Independent Commission (as well as the National Amalgamation survey) had ‘tackled the problem primarily from the retail side’, the approach of the NFNC ‘was from the side of the national federations.’⁶³⁵ True, the NFNC report did highlight the importance of reconsidering the trading relationship between the wholesale and the retail level, noting how retail societies had to be ‘called upon to accept greater obligation to the new federal organisation than is the present case between them and the federals’.⁶³⁶ It also underlined how ‘the federation should ... be expected to act as the movement’s producing/buying agency so that maximum benefits of large-scale operations may be obtained’ and that ‘the present fragmentation with its resultant loss to the movement as a whole must be replaced.’⁶³⁷ But principally, the report was concerned with reforming the federal structure of the movement.

Hence, by the mid-1960s no serious debate had been sparked on the need to reform the co-operative system of distribution. The few remarks made by the NFNC came to nothing as the major suggestion of the report – that of merging the CWS, the SCWS, the Co-operative Union and the Co-operative Productive Federation – was rejected by the SCWS. As a consequence,

⁶³⁴ National Federation Negotiating Committee, *Final Report* (Manchester: Co-operative Union Ltd, 1963).

⁶³⁵ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 259.

⁶³⁶ *Ibid.*, p. 3.

⁶³⁷ *Ibid.*, p. 13.

however, another separate CWS commission was set up to discuss the future development of the English wholesalers. The so-called Joint Reorganisation Committee (JRC), published in 1965, was the first co-operative report explicitly discussing the need to create a more tightly integrated system of co-operative distribution.⁶³⁸

Attempts to integrate: the report of the Joint Reorganisation Committee

The Joint Reorganisation Committee was formally established in the autumn of 1964. It was initiated by CWS member societies, set up by the CWS board of directors and consisted of five people from the CWS board and five people representing the different districts of the society. The committee's general assignment was to 'review the changing patterns of trade ... and the progress of the C.W.S and the retail co-operative societies in England and Wales in relation thereto'.⁶³⁹ On the basis of the findings made, one of the major objectives of the committee was to come up with 'recommendations for the strengthening of the link between the C.W.S. and the retail co-operative societies'.⁶⁴⁰

The JRC report was thus directly addressing questions concerning the relationship between the retail and the wholesale units of the co-op movement. It particularly concerned itself with the challenge of strengthening the coordination between the two levels in order to establish a more rational retail/wholesale structure. As the report complained: 'Trading relationships between retail societies and the C.W.S. have developed along traditional lines of wholesale/retailer relations. The C.W.S buys and holds stock more or less speculatively; competes with other suppliers for business on a day-to-day basis; and fixes its prices on the principle of charging what the trade will bear'.⁶⁴¹ The major goal of the JRC-report was to convince the retail societies of the need to radically reform this structure and to create a more integrated organisation where the CWS was 'no longer forced to act as an independent organisation competing for society's trade on a day-to-day basis'.⁶⁴² Such integration of retail and wholesale functions formed, according to the report, the principal advantage of the multiple retailers. These retailers had managed 'to create an integrated streamlined organisation embracing

⁶³⁸ See *Ibid.*, pp. 271-90.

⁶³⁹ Co-operative Wholesale Society Ltd., *Report of the Joint Reorganisation Committee* (Manchester: Co-operative Wholesale Society Ltd, 1965), p. i.

⁶⁴⁰ The other major objectives were to come up with 'recommendations for... the future development of the C.W.S; and as to the most suitable form of directorial control for the C.W.S', see Co-operative Wholesale Society Ltd., *Report of the Joint Reorganisation Committee* (Manchester: Co-operative Wholesale Society Ltd, 1965), p. i.

⁶⁴¹ *Ibid.*, p. 15.

⁶⁴² *Ibid.*, p. 22.

both supplies and sales' and thus managed to better 'co-ordinate... buying and selling policies.'⁶⁴³ On these grounds it was simply deemed detrimental that 'if the CWS is to play a full part in the future progress of the movement, steps must be taken to replace the outmoded buyer-seller association with retail societies by a new relationship enabling CWS activities to reflect a common interest and purpose.'⁶⁴⁴

The recommendations of the JRC report were approved by a decisive majority of the CWS members. But the report's recommendations largely failed to materialise in practise. The reasons for this were numerous. For one, soon after the JRC report had been presented by the CWS, the Co-operative Union had launched its *Regional Plan*.⁶⁴⁵ Not only was the launching of the plan in itself drawing attention away from the JRC recommendations. By focusing exclusively on the size of the retail societies, it also totally failed to reconcile the principle JRC arguments with the arguments for a regional society structure. Commenting on the possible contributions of the regional plan in a 1972 edition of *The Society for Co-operative Studies Bulletin*, vice principal of the Ruskin College John Hughes noted how the major ideas of the plan were 'so confined to the traditional autonomy that the reference to scale economies "in the purchase" of goods does not even explicitly link with the J.R.C. programme of integration of retail/wholesale functions'⁶⁴⁶ The Co-op Union's *Regional Plan* simply failed to relate to the need to radically increase the size of the retail societies with the parallel need to radically transform the trading relationship between the retail and the wholesale units.

This failure was closely related to a second problem. It concerned how existing experience clearly suggested that growth in the size of the retail societies would make a stronger integration with the wholesaling unit more, not less difficult. As noted in the previous chapter, there was a clear tendency for large societies to be less willing to hand over buying and distribution responsibilities to the national wholesaler.⁶⁴⁷ The JRC had explicitly noted this problem when arguing that there was 'an inherent tendency for retail societies, as they increase in size, to grow away from the C.W.S. and to seek to perform for themselves functions at one time undertaken by the wholesaler.'⁶⁴⁸ In their food operations, these larger societies would typically be 'bigger than most wholesalers', they would increasingly want to 'run their own warehouses' and 'employ several specialist department managers or buyers who tend to feel independent of the

⁶⁴³ *Ibid.*, p. 17.

⁶⁴⁴ *Ibid.*, p. 19

⁶⁴⁵ See chapter seven in the present thesis.

⁶⁴⁶ J. Hughes, 'The co-operative movement: A perspective for the 1970's', *The Society for Co-operative Studies*, 16 (1972), 13.

⁶⁴⁷ See chapter seven in the present thesis for a more elaborate discussion.

⁶⁴⁸ Co-operative Wholesale Society Ltd., *Report of the Joint Reorganisation Committee* (Manchester: Co-operative Wholesale Society Ltd, 1965), p. 16.

C.W.S.⁶⁴⁹ Hence, as the development towards a regional society structure was advocated and unfolded it simply became more difficult to gain acceptance for the type of integration suggested by the JRC. And indeed, as the JRC report had warned, throughout the 1970s and 1980s large retail societies increasingly departed on a path of backwards integration, opening their own warehouses and strengthening their own buying function.⁶⁵⁰ Further weakening of the relationship was the result when these large societies also established loosely organised regional buying groups, comprising independent retail societies seeking better terms by way of voluntary co-operation. Rather than increased integration between the CWS and the retail societies the main tendency throughout the post-war years was thus one of decreased loyalty between the two. The problems created by this situation were plainly described by the 1980 Co-operative Congress president H. Baily, in his presidential address:

For many years now I have been told that the reason for our non-competitiveness in the market place is because the CWS does not buy correctly. It charges too much. Retails have to take a higher price because of profit retention, etc. Has the movement, via its officials, thought about the reasons for the successes of ASDA, Tesco, Marks and Spencer, Sainsbury's, etc? Has it examined the common denominator amongst these organisations? It is the simple phrase Central Procurement. Not for them the spectacle of having buyers in every section of their activity. Their managers are sales managers. Someone at Head Office buys for their units and the managers have to sell. In our movement we rarely describe our job as to sell out, it is instead a matter of buying in. We will never meet the competition of the high street with our outmoded ancient system of fragmented buying and no amount of tinkering with the constitution will solve the problem of lack of modern organisation in buying.⁶⁵¹

A little later, he continued:

What do I propose therefore? I suggest that all buyers in the movement should become sales managers with no diminution of status and that all procurement be made by the Federal – the CWS. I suggest that societies accept discipline and commitment regarding this sort of procurement and that the buying agency accepts responsibility for any bad buys so that the retail is not put at risk. Revolutionary! Nonsense – I would prefer to call it common sense. When we are in the race of the High Street, we have to put ourselves on the same procurement level as our competitors.⁶⁵²

⁶⁴⁹ *Ibid.*, p. 15.

⁶⁵⁰ In East Anglia for example a separate warehouse was operated in collaboration by the Ipswich, Colchester and Chelmsford Co-operative Societies, see Insight Research, *The Co-Op. A Unique Retailing Culture* (London: Insight Research, 1992).

⁶⁵¹ Co-operative Union Ltd, *The 111th Annual Congress of the Co-operative Union Ltd held in the Villa Marina, Douglas, Isle of Man on May 26th, 27th and 28th, 1980*, (Manchester: Co-operative Union Ltd, 1980), p. 69.

⁶⁵² *Ibid.*, p. 70.

As indicated by these statements, there was no lack of appreciation by leading co-operators of the importance and possibilities in increasing the level of coordination and integration within the movement. The main problem was that the resentment towards such measures remained pronounced among the retail societies. The retail societies continued to uphold the ideal of local autonomy. Particular reluctance was expressed towards the idea of renouncing governance over the societies' supplies. Retail societies could very well buy the large majority of their supplies from the CWS. But they wanted freedom to decide to buy elsewhere if that better served their immediate interests. The attitude expressed by the chief executive officer of Colchester and East Essex Co-operative Society, Mr F. L Round, speaking at a 1983 meeting of the Metropolitan and Southern Regions of the Society for Co-operative Studies, is illustrative. As Round saw it, 'in the world of retailing flexibility and freedom of access to alternative sources of supply is an imperative ingredient of survival, let alone success.' In the view of Round, the calls for vertical integration as represented most distinctively by the JRC report, were thus to be treated as nothing but a 'noxious disease'.⁶⁵³

The growth in the size of the retail societies worked as a direct hindrance to the necessary integration of the national co-op movement. Despite repeated calls from leading co-operative managers and elected officials for the need to radically increase the level of integration between the wholesale and the retail level, the system of distribution operated by the co-ops remained highly fragmented. On similar accounts, national standardisation also largely failed. The increasingly large retail societies continued to operate, brand and market their stores separately and standardisation of the co-operative outlets remained negligible. As a follow-up to the JRC report, the CWS in 1968 had made a forceful attempt to counter this tendency of fragmentation at the store level, by initiating what, according to the *Co-operative News*, was probably 'the largest promotion scheme ever launched by the society'.⁶⁵⁴ The scheme involved, as reported in the *News* 'continuous advertising campaigns throughout the year, starting with provisions and then in mid-March swinging into more general advertising for C.W.S and other brand leaders in the food field'.⁶⁵⁵ An important part of the campaign was the launching of a new co-op logo. The logo was to appear on all CWS own-products as well as on all co-operative stores. The campaign was embraced by most societies and the co-op brand was adopted widely, covering most co-operative stores across the country. But the long term effect on the day-to-day operational procedures of

⁶⁵³ F. L. Round, 'A future for consumer co-operation in Britain? The debate continues C.W.S/C.R.S restructuring points (and counter-points)', *The Society for Co-operative Studies*, 47 (1983), 84.

⁶⁵⁴ 'Massive promotion scheme launched', *Co-operative News* (11 November 1967)

⁶⁵⁵ "'And its all at the co-op now..." £1,300,000 advertising campaign starts next weekend', *Co-operative News* (6 January 1968).

the co-op societies remained limited. Despite some progress in terms of common branding and nationwide marketing, the level of standardisation did not improve substantially. As we recall from previous chapters, societies continued to develop their stores independently of each other, operating them under numerous different trading identities and according to a variety of operational principles.⁶⁵⁶

The end result of these developments was that by the 1980s little had been gained in terms of standardising operational procedures and integrating the co-operative chain of distribution. And, as we have seen earlier, gradually the CWS saw no other option than to move into retailing themselves. The attempts made to integrate and standardise along federative lines had not produced the required results. And while retail societies had integrated backwards and started to co-operate in voluntary buying groups, the CWS strategy became to integrate forwards to create a separate, wholesaler controlled retailing business. While this provided the CWS with renewed possibilities of growth, the overall effect on the movement's progress was less encouraging. For one it tended to add force to a 'continuing mutual suspicion between large retail societies and the CWS.'⁶⁵⁷ It also worked to further reduce the large societies' loyalty to the CWS as their sole provider, the end result being increased rather than reduced fragmentation in the overall system of distribution responsible for supplying the co-operative stores.

Integration and standardisation within the Norwegian co-operative movement

In the immediate post-war years the Norwegian co-op movement had taken on a leading role in introducing the principles of chain store organisation in the country's food retail market. Warehousing was rationalised, modernised and centralised to the Norwegian Co-operative Association (NKL). Important initial steps to closer integrate the operations of the NKL and the retail societies were also taken through the gradual introduction of standardised ordering routines. These processes of integration and standardisation of the co-operative distribution chain continued throughout the 1960s.⁶⁵⁸ Alongside the attention given to centralisation and the need to increase the size of the retail societies, the NKL continued to advocate the importance of improving the overall system of distribution operated by the co-op movement. The process of amalgamation was paralleled with continuous efforts to strengthen the link between the retail and the wholesale level.

⁶⁵⁶ See chapters four, five and seven in the present thesis.

⁶⁵⁷ A. Wilson, 'A future for consumer co-operation in Britain? Developments and trends', *The Society for Co-operative Studies*, 46 (1982), 17.

⁶⁵⁸ See chapter six in the present thesis.

The 1960s and 1970s saw a slow but gradual improvement in the system of distribution operated by the Norwegian co-operators. Warehouses were further rationalised and enlarged. More societies joined the system of standardised ordering and their overall loyalty to the NKL improved gradually. While radical and strenuous, yet largely unsuccessful attempts had been made by the CWS to reform the system of distribution operated by the British co-op movement, the Norwegian development showed a slow but steady improvement.

Attempts to increase the standardisation of store operations were also implemented, as the NKL in close cooperation with the retail societies launching a nationwide marketing campaign in 1967.⁶⁵⁹ On similar lines as the UK co-ops, the Norwegian movement launched a common brand, an orange S, to clearly demarcate co-operative stores from competing retailers.⁶⁶⁰ To participate in the scheme, retail societies had to sign a special agreement where they obliged themselves to actively use and promote the S-logo 'following the guiding principles approved of in the S-arrangement'.⁶⁶¹ The scheme was an immediate success. Soon the orange S came to cover all co-operative stores as well as the uniforms of the store workers, letter-heads, carrier bags, etc. It became a defining feature of the co-operative stores, separating them clearly from the outlets of the private retailers

This is not to say that the failure to integrate and standardise operations that had hampered the economic development of the UK consumer co-ops did not cause trouble within the Norwegian movement. Despite national marketing and common branding, the actual operational standardisation across society structures remained limited also among Norwegian co-operators. While the Norwegian retail societies, unlike their British sister organisations, refrained from establishing wholly separate trading names for their stores, the S-brand largely remained a common fascia for co-operative stores. Its effect on the actual operation of the stores remained limited. As in the UK, safeguarding of local autonomy within the co-operative societies also hindered the NKL led drive towards a stronger integration of business operations. Debating the future challenges for the movement at the 1980 NKL congress in Stavanger, major worries were expressed as to the actual competitiveness of the existing co-operative system of distribution. By now, Norwegian private retailers had seriously started to experiment with the multiple's recipe of standardising the retail outlets and tightly coordinating the retail and wholesale functions. The main worry among the co-operators was whether the existing structure of the co-operative

⁶⁵⁹ The following paragraph based on E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006), pp. 321-23.

⁶⁶⁰ 'S' denoting the first letter of the Norwegian word 'samvirkelag', the Norwegian expression for a consumer co-operative.

⁶⁶¹ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006), p. 322.

enterprise was able to handle the upcoming challenges from these retailers. As the CEO of the NKL Knut Moe warned the congress participants:

The small corner-shop grocer ... is about to disappear, and we are now competing with steadily stronger chain stores... and gradually we recognise that there is no longer a separate wholesale unit and a separate retail unit. The chain has melted these together into one unit. And under these conditions it is obvious that our system is no longer up-to-date and that we need to work to create a level of integration which is effective.⁶⁶²

The fact of the matter was that by 1984, the co-operative movement still consisted of 595 independent retail societies. These were running more than 1,600 shops, of which only about 22 per cent were organised into some form of centrally coordinated store format. Although the local societies had more than doubled their purchase in the NKL since 1950, as a percentage of total purchase, by the mid-1980s the share was still below 50 per cent.⁶⁶³

Hence, despite the fact that the NKL throughout the post-war years had consistently advocated the advantages of closer integration and standardisation, by the 1980s the actual coordination of buying and assortment still remained fairly limited. Under the administrative leadership of Knut Moe, the national association had managed to strengthen the retail societies' loyalty to the NKL as their supplier. Moe had also managed to convince the retail societies of the advantages of centralising all warehousing to the NKL. But the societies continued to decide for themselves what products to hold in the stores. Buying remained the responsibility of the individual societies and the stores were supplied from an uncoordinated mix of regional NKL owned storehouses, private wholesalers and industry salesmen. A further problem was that the regional NKL warehouses had gradually developed a substantial independence of their own. In many instances, these warehouses would have a stronger commitment to the retail societies operating in the region in which they traded than to the NKL headquarters in Oslo.

Rather than being efficiently addressed, many of these problems were further reinforced during the 1980s. As we recall, the early 1980s saw a change of leadership in the NKL. The former Trondos manager Knut Værdal replaced Knut Moe as CEO of the national association.⁶⁶⁴ Building on his experiences as a retailer, Værdal had soon made substantial alterations in the main strategic focus of the NKL. Most prominently, the very role of the NKL in the co-operative

⁶⁶² Norges Kooperative Landsforening, *NKLs 35. kongress Stavanger 19-21. september 1980. Stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1980), p. 110.

⁶⁶³ NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁶⁶⁴ See chapters four and five in the present thesis.

system of distribution was redefined. Knut Moe had been fully determined to rationalise the co-operative system of distribution. In his view, the main role of the NKL was to secure an efficient flow of goods serving the many stores operated by the retail societies. Værdal, by contrast, was primarily focused on the retail side of the co-operative operations. He saw the main role of the NKL as one of helping the retail societies strengthen their retail operations, while the wholesaling function was deemed less important. Presenting his visions for the future development of the movement at the 1986 NKL congress in Trondheim, Værdal explicitly launched this major shift in focus.

Our main strategy ... is: to focus fully on our businesses at the retail level. ... We want to provide our members and customers with a broader range of offerings at the retail end. [...] We also have a substantial wholesale business and this we will continue to develop. But ... our wholesaling and manufacturing operations will remain second to our main objective and the ventures we plan for the 1990s.⁶⁶⁵

On the basis of these visions, and as presented in earlier chapters, the NKL took the initiative of a massive expansion in the movement's hypermarket and superstore business. It also initiated a full reorganisation of the retail operations into a selected set of carefully planned and distinct store formats.⁶⁶⁶ These formats were to be operated similarly across society structures and they targeted different consumer segments. As such, Værdal's change of direction implied that the advantages of standardisation continued to be recognised. He was, however, much less attentive to the advantages of integrating the distribution function. Quite to the contrary, control over NKL warehousing was decentralised and the advantages of radically strengthening the retail societies trading loyalty towards their national wholesale, repeatedly advocated since the 1950s, were given only minor attention.

The picture painted by the post-war efforts to integrate and standardise the operations of the Norwegian co-operative movement is therefore a mixed one. The immediate post-war period had seen a gradual move towards increased integration and standardisation of the Norwegian co-operative system of distribution. The NKL developed as the movement's sole wholesaler, modernised its warehouses and also managed to increase the retail societies' loyalty to the national wholesaler. Systems of standardised ordering were tried out and gradually implemented. A national marketing scheme was also launched, increasing the level of standardisation of co-operative stores. By 1980, important, initial steps had thus been taken in the quest to integrate and standardise the operations of the co-operative movement. Throughout the 1980s, further

⁶⁶⁵ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukeramvirkets historie i Norge* (Oslo: Pax, 2006), p. 429.

⁶⁶⁶ See chapters four and five in the present thesis.

initiatives were taken to increase the level of standardisation across society structures. But apart from the launching of separate brands for the different stores operated by the co-op, the actual operational standardisation of the stores remained limited. In terms of integration, the 1980s represented a step backwards. The wholesaling function of the NKL was largely neglected. The regional NKL owned warehouses were granted substantial individual powers and the process of increasing co-operation between the retail and the wholesale level came to a standstill. In the period from 1980 to 1990, the retail societies' purchase in the NKL as a per cent of total purchase rose by a negligible one percentage point.⁶⁶⁷ By the end of the decade there existed a substantial untapped potential in tightening the supply chain and standardising the operations of the co-operative stores.

Federative integration and standardisation: Norwegian co-ops in the 1990s

As we recall from a previous chapter, the coming of the 1990s marked the beginning of yet another process of fundamental reorganisation in the Norwegian co-operative movement.⁶⁶⁸ In 1989 Værdal had been replaced by Rolf Rønning as CEO of the NKL. Together with a new team of senior managers Rønning soon initiated a series of changes set to radically strengthen the competitiveness of the co-op movement. While Rønning had been supportive of Værdal's strategy of segmentation, he was sceptical of how the stores were operated and especially of how the system of distribution serving the stores was constructed. On these grounds he found that there was an acute need to increase the level of standardisation of the co-operative stores and to transform the existing system of distribution into a fully integrated structure.⁶⁶⁹ The co-op movement had simply not taken full advantage of the possibilities to integrate and standardise its operations. As noted in the first major strategy document developed by Rønning and his colleagues presented at the NKL congress in Tromsø in 1990:

The outside world views the consumer co-operative as an integrated chain with a dominating market position and scale advantages. Today, this is only partially true. We still have a huge potential to improve our total competitiveness by realising a good and binding interplay in central areas. It should suffice to mention buying, flow of goods, store development, marketing, training.⁶⁷⁰

The first step taken to redeem this situation was directed at the distribution function. The regional warehousing structure of the NKL was rationalised and all NKL buying was centralised

⁶⁶⁷ Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁶⁶⁸ See chapter five in the present thesis.

⁶⁶⁹ Interview, Rolf Rønning, 3 March 2005 and 22 June 2005.

⁶⁷⁰ 'Forbrukersamvirket i nititiårene' (Strategy document presented at the NKL congress in 1990), p. 8.

to the Oslo headquarters. In the course of a few years, two of the ten regional storehouses were closed down and storage of all main non-food products was centralised to two separate non-food storehouses, one in Oslo and one in Trondheim. Moreover, the regional warehouse managers were relieved of all buying responsibilities and buying was made the sole responsibility of the NKL administration in Oslo. Hence, while buying responsibilities had been decentralised to the regional NKL warehouses during the Vårdal period, they were now becoming fully centralised to NKL headquarters.

The second step was even more radical.⁶⁷¹ Not only were NKL headquarters to control their regional warehouses. This fully centralised wholesaling unit was also to negotiate on behalf of all the retail societies on all major lines sold in the local grocery stores. Buying was simply no longer to be the responsibility of the retail societies, but made the sole responsibility of the national association. The retail societies were to focus fully on their role as retailers. To gain acceptance for such a radical transformation in the relationship between the NKL and the local retail societies, the NKL had to take partial steps and develop their new system of distribution in close cooperation with the development of the different retail chains. Hence, in the autumn of 1989 a trial project was initiated for the Prix group of stores.⁶⁷² Local societies operating Prix stores were invited to join the project where the NKL centrally negotiated for all major lines sold in the stores. All thirty-seven societies operating a Prix store signed the agreement and in the winter of 1989-90 centralised negotiations were held on behalf of a total of seventy-seven stores. The results were remarkable. Initial reports presented in the spring of 1990 suggested that all participating societies had experienced an average improvement in prices of no less than 10 per cent. The success increased the interest of retail societies for joining the Prix chain, and by the end of the year a total of 117 stores were in operation. The first initial attempts made to centralise buying to the NKL had been a success. The economic potential of the strategy had been proven and more and more societies sought to join to take advantage of the savings offered. But the NKL management was not satisfied. They wanted to take control over all co-operative buying.

Soon after the viability of the Prix chain store model had been proven, both the Obs! group of stores and the Mega supermarkets were reorganised on similar lines. Together with the retail societies, the NKL established separate chain boards to develop and govern the basic trading principles of the different chains. A special negotiating committee, consisting of representative from the NKL and the largest retail societies, was also set up to carry out the

⁶⁷¹ This and the following paragraph are largely based on E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerammirkets historie i Norge* (Oslo: Pax, 2006), pp. 496-514.

⁶⁷² As we recall, this was the co-ops soft discount profile. It was also the most popular format among the retail societies in terms of number of stores operated, see chapter five in the present thesis.

actual negotiations with the suppliers. By including representatives of the largest societies in the actual negotiations, it became easier for the NKL to convince these societies that fully centralised negotiations led to better terms than could be gained by individual negotiations.

To guide the co-operative negotiators, a carefully planned standardised assortment structure was also developed. The structure was built of four different assortment types. A so-called 'basic assortment' was developed first. This consisted of products to be sold in all the different chains. To provide distinctiveness for the different formats the basic assortment was supplemented with another three assortment types; a 'supplementary assortment', an 'edge assortment' and a specific 'Obs! assortment'.

Standardising the assortment of all the different chains implied that the leverage of the retail societies to decide what products to hold in their own stores was drastically reduced. While this implied a fundamental break with the co-operative ideal of local governance and autonomy, the economic gains to be made by such a standardised system proved so obvious that all societies soon joined voluntarily. Hence, already in the winter of 1991/1992 the NKL, for the first time in history, carried out negotiations with the industry on behalf of all member societies on all groceries sold in the movement.⁶⁷³

The principle economic advantages of the model developed were fairly simple. The standardised assortment structure made possible a substantial reduction in the number of lines and suppliers, while large volumes could be concentrated at a limited set of carefully selected suppliers. The prices offered by the industry could thus be substantially reduced. In its first year of operation the new scheme of centralised purchasing led to an average price cut of approximately 7 per cent.⁶⁷⁴

Further, as all the different chains held the same basic assortment, some also shared similar supplementary and edge assortments, they would obtain the same price on a given product, irrespective of the volume sold in the specific chain. It was the totality of sales that counted and that were the starting point in the negotiations with the industry. This also implied that retail societies primarily operating smaller stores under the Prix discount profile or the small, local S Marked format, in principle, would receive their supplies at the same price as the societies operating large Obs! Stores. As Rønning also noted in a retrospective internal strategy note: 'it was first and foremost the smallest societies that obtained substantial improvements, while the large societies, which already had their own 'special deals' with the industry, gained relatively

⁶⁷³ Dry goods only, excluding fresh food such as greengroceries and milk, see 'Forbrukersamvirkets driftsmodell' (Confidential strategy note handed over to the author from Rolf Rønning), p. 5.

⁶⁷⁴ E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006), p. 505.

smaller improvements, despite providing the most substantial volumes.⁶⁷⁵ The basic achievement of the model, however, as Rønning went on to note, was that ‘a unified action made possible a substantial transfer of competitive powers from the industry to the consumer co-operative movement.’⁶⁷⁶

A final obvious advantage was that by reorganising all co-operative food stores into four integrated chains holding a standardised assortment and operated on standardised principles across the country, huge gains could be secured in marketing and other operational expenses. National marketing campaigns could be developed and financed centrally, providing substantial ‘free marketing’ for the retail societies.

The immediate economic achievements of the new structure were thus a major reason for the societies to join and stay loyal to the chain store model developed. However, it soon transpired that the largest societies also tried to gain additional advantages alongside the centralised negotiations. It remained a continuous challenge for the NKL to keep the retail societies dedicated to the new model. As a means to help sustain the necessary loyalty and discipline, the NKL gradually developed an internal system of economic incentives. At the centre of the model lay a clear delineation between the different parts of the distribution chain, from production via wholesaling and retailing to the consumer.⁶⁷⁷ The basic principle on which the model rested was that every link in the chain had to be competitive and produce a profit. The profit produced by each link should then be used to actively steer the conduct of the next link in the chain. Improved productivity at the retail level was to stimulate member loyalty and increased influx of members by way of paying a more substantial dividend and by offering other membership advantages. On similar lines, improved surplus at the wholesale level was to be repaid to the retail societies in the form of an increased dividend on purchase, as well as by different types of discounts. These were aimed at encouraging specific types of conduct among the retail societies. So-called ‘society discounts’ were developed to stimulate mergers among the societies, ‘chain discounts’ were introduced to enhance the attraction of joining a chain, ‘investment discounts’ were given to stimulate growth and renewal in the structure of the shops and ‘shop discounts’ should stimulate a transfer to larger shops.

The economic incentive system developed by the NKL proved vital in ensuring that the federative structure was kept tightly integrated and that all societies adhered to the standardised

⁶⁷⁵ ‘Forbrukersamvirkets driftsmodell’ (Confidential strategy note handed over to the author from Rolf Rønning), p. 5.

⁶⁷⁶ *Ibid.*

⁶⁷⁷ This and the remaining part of the paragraph is based on E. Ekberg, E. Lange and E. Merok, ‘A successful latecomer: Growth and transformation of the Norwegian consumer co-operatives 1920-2000’ *Paper presented at the XIV International Economic History Congress, Helsinki, 21.-25. August 2006.*

operational procedures developed. As such, it simply made possible the efficient operation of four fully integrated, standardised and centralised food chains within an overall federative organisational model.

The economic reorganisation of the 1990s was decisive in securing the competitive strength of the Norwegian consumer co-operatives. Indeed, when Rønning and his management colleagues initiated the principles of the integrated chain store for the retail societies, the co-op movement was again proving its innovative potential. As we recall, the Norwegian food retail market had long remained fragmented. Throughout the 1950s and 1960s independent retailers dominated the market and the establishment and success of multiple chains remained negligible. From the 1970s and early 1980s onwards some attempts had been made by private retailers and wholesalers to establish vertically integrated structures. But the main focus remained on standardisation of outlets and centralisation of control. Retailers primarily sought to increase their market share and improve their profits by adding to the number of stores operated under centralised control. Vertical integration remained limited. Hence, the two fastest growing private retail chains in the 1980s, the soft-discounters Rema 1000 and Rimi, had not integrated backwards into retailing. When the co-op in 1990-91 managed to fully introduce and take advantage of the principles of the integrated chain store, negotiating centrally with the industry on behalf of all the retail outlets in the movement, it caused complete astonishment in the food retail industry. In a 1993 interview with the daily business newspaper *Dagens Næringsliv*, the CEO of the country's largest private wholesaler Joh. Johansson, openly expressed admiration for what the co-ops had achieved: 'If we had managed to co-operate with the retailers we could have been in a totally different negotiating position. Just look at what the co-operative retail societies have achieved by congregating in the NKL'.⁶⁷⁸

Soon after the co-op had taken the first step, however, the private retailers followed. Both the Rema and the Rimi chain integrated backwards, each taking control over large wholesaling businesses. And in 1994 Joh. Johansson managed to gather a substantial group of the remaining independent retailers in a voluntary chain, Norgesgruppen. From 2000 the chain was turned into a fully integrated retail/wholesale unit controlling more than thirty per cent of the Norwegian food retail market.⁶⁷⁹

The ultimate effect of the co-op movement's introduction of an integrated organisational model was thus a fundamental transformation in the structure of the Norwegian food retail

⁶⁷⁸ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukeramvirkets historie i Norge* (Oslo: Pax, 2006), p. 514.

⁶⁷⁹ www.norgesgruppen.no, accessed 23 November 2007.

market. In a period of no more than four years, this market developed from being among the most fragmented to become one of the most centralised and competitive in Western Europe. The following table shows the development in market shares of the leading food retailers.

Table 8.1: Market shares in the Norwegian food retail market 1990-2000 (per cent)⁶⁸⁰

	Rimi/ ICA	Rema 1000	Co-op	Norges- Gruppen	Others
1990	10,2	5,7	22,8	7,1	54,2
1992	16,8	11,0	23,0	16,5	32,7
1994	24,0	11,3	24,4	37,1	3,2
1995	27,7	11,8	24,9	32,7	2,9
1996	28,6	11,8	25,2	32,1	2,3
1997	28,3	12,5	25,2	32,6	1,4
1998	28,0	13,2	24,9	32,7	1,0
1999	27,7	13,7	25,2	33,2	0,2
2000	26,4	14,3	24,7	33,8	0,7

As the table reveals, the consumer co-ops managed to retain their market share at approximately 24-25 per cent throughout this period of massive change. A decisive factor in securing this competitiveness was the successful restructuring of the entire co-operative system of distribution, beginning in 1989-90. The strategy had comprised a successful blending of the well known potential for economies of scale immanent in the integrated chain model, with an adapted version of the federative organisational form. The Norwegian co-operators had simply managed to find a way to fight off the competition by realigning the principles of the federative model with the commercial advantages of the integrated, standardised and centralised chain store model. Comparing this successful development with the experiences of the British co-operators during the last decade of the twentieth century again reveals interesting differences of approach and ultimately also in results.

Partial integration: UK co-ops in the 1990s

The post-war challenge of standardising operations and integrating the system of distribution had been met differently by the Norwegian and UK co-ops. While the Norwegians had developed on

⁶⁸⁰ Adopted from E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006), p. 517.

a path of gradual integration and standardisation within the framework of a federative organisational model, the British largely chose a strategy of forward and backward integration. Large regional retail societies integrated backwards, strengthening their wholesaling operations by building new warehouses and developing organisational capabilities in buying and merchandising. In parallel, the CWS integrated forwards, developing its own retail branch alongside its existing wholesaling and manufacturing operations.⁶⁸¹

This difference of approach continued into the 1980s and 1990s. Based on four national food retail chains, the Norwegians developed their federative organisational model into a fully integrated and standardised structure. Local retail societies continued to hold the economic responsibility for the retail operations, while all decisions concerning buying, assortment, branding and overall strategy were centralised to the federative level. In the UK by contrast, retail societies continued to focus on increasing their size by way of amalgamation. They continued to develop their own warehousing and their own systems of distribution. Decisions on branding, operational principles and assortment in the stores also remained fully in the hands of the different societies, the result being an abundance of different store fascias, logo's and marketing strategies. The end result was, as a 1992 report on the future prospects of co-operative trade concluded, that 'full scale buying and distribution benefits' were 'yet to be obtained'.⁶⁸²

In January 1993 a major step was taken to rectify some of these problems, when the CWS together with three other retail societies formed the Co-operative Retail Trading Group (CRTG).⁶⁸³ The CRTG was to function as a joint buying group for the member societies, with the goal of improving buying conditions, reducing the duplication of lines carried in co-op stores, increasing the share of own label commodities and to generally rationalise the system of co-operative grocery distribution.⁶⁸⁴ The organisation, later characterised as 'the most disciplined buying group the Co-op had ever seen', was based on complete centralisation of the member societies' buying.⁶⁸⁵ Existing buying departments operated by member societies were closed down. The organisation also developed comprehensive national marketing programmes, including national advertising and regular promotions.⁶⁸⁶

The overall goal of the CRTG establishment was to develop a centralised buying unit comprising the totality of UK consumer co-operative trade. As such, it sought to take on some of

⁶⁸¹ See chapter seven in the present thesis.

⁶⁸² Insight Research, *The Co-Op. A Unique Retailing Culture* (London: Insight Research, 1992), p. 5.

⁶⁸³ These were the Anglia, Central Midlands, Oxford, Swindon and Gloucester societies, see D. Hopwood, 'Conditions for progress', *Journal of Co-operative Studies*, 78 (1993), 4-10.

⁶⁸⁴ T. E. Stephenson, 'The future of retail co-operatives: A look ahead', *The World of Co-operative Enterprise*, (1994), 153-8; D. Hopwood, 'Conditions for progress', *Journal of Co-operative Studies*, 78 (1993), 4-10.

⁶⁸⁵ The Co-operative Group, *Annual report and accounts, 2001*, p. 15.

⁶⁸⁶ Insight Research, *Co-op 96. Combined purchasing or further fragmentation?* (London: Insight Research, 1996).

the same responsibilities as that of the NKL within the Norwegian movement. But, the movement's overall problems of fragmentation and lack of national coordination were made clearly visible, when a group of regional societies, only a year after the formation of the CRTG, established a separate buying group, the Consortium of Independent Co-operatives (CIC).⁶⁸⁷ While the member societies of this alternative buying organisation were supportive of the basic CRTG idea of making co-operative buying more disciplined, they were reluctant to accept its centralised decision-making structure. Hence, they created the CIC as an alternative buying organisation. It was intended to work as a less centralised type of joint buying, relying, as noted in an article in the *Co-op News*, 'on the experiences and services of existing buyers in its member societies.'⁶⁸⁸

Throughout the 1990s, the CIC and the CRTG developed as separate buying agencies, competing for support from the retail societies. By 1995 another eleven societies had joined the CRTG. The organisation now controlled approximately 65 per cent of total grocery trade.⁶⁸⁹ Later in the same year it was announced that the Co-operative Retail Services (CRS) had decided to join the CIC. As we recall, the CRS had originally been established by the CWS. While developing independently from the wholesale federative, the CWS had also, until recently, appointed half of the CRS' board members. The two societies had also been in several close negotiations to merge, the last having finally collapsed in the spring of 1995. It was thus a revealing sign of the movement's continued failure to cooperate and coordinate its activities when the CRS decided to join the CIC and not the CRTG. While the co-operative press celebrated the decision as an 'important step forward' in 'the Co-operative movement's collective buying arrangements', the decision could just as well be regarded as yet another indication of the movement's major problem, namely the failure to establish a truly integrated system of distribution encompassing the totality of co-operative trade.⁶⁹⁰ As a 1996 external report on the prospects of co-operative trading – evocatively sub-titled 'Combined purchasing or further fragmentation?' – concluded: 'it can only be seen as unfortunate that the Co-op has two major buying groups rather than one'⁶⁹¹

⁶⁸⁷ *Ibid.* The original member societies were the United Northwest, Portsea Island, Tamworth, Leicestershire and Brighton societies, see 'Co-ops form £2bn buying group', *Co-operative News* (7 November 1995).

⁶⁸⁸ 'Co-ops form £2bn buying group', *Co-operative News* (7 November 1995). See also Insight Research, *Co-op 96. Combined purchasing or further fragmentation?* (London: Insight Research, 1996), p. 5. The original member societies were United Northwest, Portsea Island, Tamworth, Leicestershire and Brighton Co-operative Society.

⁶⁸⁹ See '£3bn worth of buying power' *Co-operative News* (22 August 1995). The new societies joining were the Sheffield, Leeds, Chesterfield, West Midlands, Lothian and Borders, East Angus, Channel Islands, Ipswich and Norwich, Lincoln, Colchester and East Essex and Chelmsford Star Co-operative Society.

⁶⁹⁰ 'Co-ops form £2bn buying group', *Co-operative News* (7 November 1995).

⁶⁹¹ Insight Research, *Co-op 96. Combined purchasing or further fragmentation?* (London: Insight Research, 1996), p. 5. As it turned out, in the immediate years following its establishment, the CIC also experienced several problems of

Further disintegration was the result as the CRS, in addition to joining the CIC, launched its own, separate logo and decided to develop an independent own label as an alternative to the traditional co-op label.⁶⁹² The new 'co-operative' logo was announced as a part of the society's 'creation of a new identity' and was intended to reflect the 'transformation of its focus, culture and commercial performance.'⁶⁹³ The move was indicative of the movement's long-lasting problems of standardising its operations across society structures. After the launching of a common co-op logo in 1968 had provided some unity, developments throughout the 1970s and 1980s had dispersed co-operative stores into a multitude of fascias and store types.⁶⁹⁴ This process continued throughout the early 1990s and the CRS decision to exchange the traditional co-op brand with a separate logo was only a continuation of this trend. The CRS also separated itself from the rest of the movement by holding on to a multi-format strategy in a period where more and more societies gradually came to focus trading in the convenience segment.⁶⁹⁵ Hence, by the mid-1990s the fact of the matter was that close to one fifth of total co-operative trade in the UK was controlled by a society operating on a completely separate path from the rest of the movement.

By the turn of the millennium, however, a new major step was taken to improve the overall coherence of the movement as the CRS and the CWS merger was launched.⁶⁹⁶ The merger brought together under one unit a large amount of the co-op movement's total turnover. At the same time, it implied a substantial concentration of co-operative buying and merchandising. With the CRS merging with the CWS and subsequently also becoming a part of the CRTG buying group, remaining independent societies were soon to follow. Hence, by the beginning of 2002, 100 per cent of co-op food buying was, for the first time in the history of the British co-op movement, controlled from one single buying point.⁶⁹⁷

The development of the CRTG has been characterised as 'one of the major success stories of the Co-operative Movement in the last decade.'⁶⁹⁸ And indeed, it was an important step in the quest to confront the continuous competitive challenges of the multiple food retailers. In particular, it worked as an important means to develop a more integrated system of distribution,

disloyalty from its member societies. And in 1998, the two largest member societies, the CRS and the United Northwest Co-operative Society decided to return to independent buying, leaving the CIC 'dead in the water' as an editorial in the Co-operative News phrased it, see 'Life after CIC', *Co-operative News* (15 September 1998).

⁶⁹² See 'CRS goes it alone' *Co-operative News* (30 May 1995) and 'Signs of the times – CRS unveils new logo', *Co-operative News* (28 May 1996).

⁶⁹³ 'Signs of the times – CRS unveils new logo', *Co-operative News* (28 May 1996).

⁶⁹⁴ See chapter five in the present thesis.

⁶⁹⁵ 'Rivals on the rope', *Co-operative News* (18 April 1995). See also chapter five in the present thesis.

⁶⁹⁶ See chapter seven in the present thesis.

⁶⁹⁷ See The Co-operative Group, *Annual report and accounts*, 2001.

⁶⁹⁸ Co-operative Commission, cited in The Co-operative Group, *Annual report and accounts*, 2001, p. 15.

comprising the totality of the co-operative food trades. While buying was centralised, the overall functioning of the distribution system remained quite fragmented. The distribution function was not integrated on a common, electronic platform. The authority of the CRTG to develop standardised assortment policies across society structures also remained limited. Co-operative stores continued to be operated independently by individual societies. And while some societies (or more precisely, one society) had become increasingly large, encompassing the majority of co-operative trade, the number of different co-operative food chains operated across the country still remained substantial.

These features stand in contrast to the experiences of the Norwegian co-operative movement. In Norway the centralisation of buying was intrinsically linked to the establishment of four national food chains, operating on a carefully planned and standardised assortment policy. Assortment was standardised across the different chains and the retail societies operated their food stores according to the strict operational principles of the different chains. The structure also made possible national marketing of the co-op, the co-op stores and their daily, weekly or monthly offers. While not being integrated organisationally, the functional integration of the Norwegian co-ops by the end of the 20th century remained more substantial than that achieved in its British sister organisation.

Conclusions

Transformations in the dominant organisational patterns of the post-war food retailing industry fundamentally challenged basic features of the traditional, consumer co-operative model. Standardisation of operational procedures and integration of the distribution function were among the most prominent features in this process. The development of these organisational features, from the 1970s and 1980s onwards, challenged long-lasting co-operative principles of local autonomy and democratic decision-making. To compete efficiently with the advancing multiple retailers, co-operative stores had to be standardised across the boundaries of the independent societies and the system of distribution serving the co-operative stores had to be integrated and coordinated by a centralised unit.

The present chapter has analysed how the British and the Norwegian consumer co-operative dealt with this challenge. It has shown that it was approached differently and discussed how this divergence ultimately shaped the development of the two movements. In the UK, despite the fact that the advantages of standardisation and integration were openly acknowledged by several leading co-operators, both the existing co-operative retail operations and the system of

distribution supplying these enterprises remained highly fragmented. While the JRC report, presented to British co-operators as early as 1966, provided many of the answers that could have strengthened the competitiveness of co-operative trade, the report's recommendations on issues of trade organisation were never fully implemented. While some integration and standardisation was accomplished through a strategy of forward integration by the wholesalers, overall coordination of co-operative trade remained limited. By the turn of the millennium, the co-operative food retail business was still operated under numerous different brands and with only very limited levels of standardisation across the different formats, not to mention across the independent societies. Substantial progress had been made in buying. But the level of integration and standardisation in the total system of co-operative distribution remained limited.

The Norwegian story was different. Already from the 1950s onwards a gradual process of centralisation, integration and standardisation had begun. While centralisation in terms of mergers and amalgamations remained limited compared to the British experience, the Norwegians developed on a parallel path of integration and standardisation of the retail and wholesale operations. Local retail societies continued to control and own the retail operations. But the national wholesaler was provided with substantial leverage in buying, overall planning of assortment and marketing. Operational procedures, branding, assortment and marketing of the co-operative stores could thus be standardised across the different societies. And as the buying function was fully integrated and centralised to NKL headquarters, substantial scale economies in buying could be realised. The basic elements of this structure developed gradually throughout the post-war years, with the most radical steps taken from the 1990s onwards. It formed a major element in the continued competitiveness of co-operative trade in the Norwegian market and helped secure the substantial market share the movement had gradually obtained throughout the post-war years.

To approach the post-war competitive challenges of the multiple retailers, co-operative societies across Western Europe were forced to radically transform their organisational structures. To handle the superior organisational efficiencies advanced by the large retail chains, control over co-operative trade had to be centralised, operational procedures had to be standardised and the chain of distribution between retail and wholesale levels had to be fully integrated. The second main section of this thesis has described and analysed how this challenge was approached by the consumer co-operative movement in Norway and the UK.

The analysis has constituted the second step in a three-fold process aimed at explaining the divergent development pattern of the British and Norwegian consumer co-operative movements in the post-war period. It has been based on the simple premise that the development pattern of consumer co-operative enterprises in the post-war period was intrinsically linked to how the different movements confronted the challenge of reorganising their overall trading structure. At the most general level it has been argued that those movements that were capable of reorganising their organisational structure along the lines of a centralised, standardised and integrated model were generally advantaged, while those who failed to do so began to lag behind their competitors.

The case of the Norwegian and British consumer co-operative development provides ample evidence of such reasoning. Throughout the post-war years the Norwegian co-ops experienced a steady strengthening of their market position. And as multiple retailers started to seriously advance into the Norwegian food retail market, the co-ops proved to be competitive. The movement defended its market share and produced steady profits. In the UK by contrast, market share in the food retail market evaporated steadily throughout the period, from being close to twenty per cent in the mid-1950s to about six per cent at the turn of the millennium. In terms of profitability levels the co-ops also remained way behind that of their major competitors. The first main section of the thesis analysed how differences in the way the co-operative movements in Norway and the UK approached major transformations in size, scope and structure of the food stores operating within the food retailing industry, contributed to this divergent development. This second section focused on the role of organisational factors and analysed how the ability to confront the superior organisational efficiencies of the multiple retailers shaped the divergent development pattern of the Norwegian and the British consumer co-operatives.

The analysis has shown that from the 1950s onwards Norwegian and British co-operators held very different views on the major challenges facing the future development of co-operative trade. In Norway, a new and energetic leadership in the NKL defined the need to radically rationalise and reorganise the operational practises of the entire co-op movement as the major challenge ahead. While the movement was not faced with any serious competitive treats, it still strongly advocated the need to rationalise the entire system of distribution on which it operated. The British, by contrast, continued to express confidence in the overall organisational model on which they based their trading activities. And while the competitive threats of the rapidly expanding multiples were recognised, few active steps were taken to confront the challenges. In

fact, as we recall from the analyses of the work of the Independent Commission, all the major suggestions put forward by this commission were rejected by the British co-operators.

By the coming of the 1960s, the challenges facing co-operative trade were starting to become more explicitly recognised by British co-operators. But while the increasingly successful organisational recipe of the multiples was based on the combination of centralised control, standardised operational procedures and integration of retail and wholesale functions, the co-ops primarily came to focus on centralisation. The number of retail societies was drastically reduced and the leading retail co-ops, most prominently the CRS and later the CWS, developed to become among the largest retail co-operatives in the world. In some areas, regional societies managed to develop as local and regional strongholds, producing stable profits and fiercely defending their market share. The overall tendency, however, was of continuing market decline

The major problem experienced by the British was simply that the process of centralisation failed to be supplemented with effective strategies of standardisation and integration. Local and regional societies continued to defend their local autonomy and the national wholesalers failed to gain support for the need to better coordinate the trading activities of the entire movement. The overall organisational structure of the co-op movement remained fragmented and it failed to take full advantage of its immense, potential buying power.

In Norway centralisation of co-operative trade into larger units was also strongly advocated. But at the same time, with the NKL taking a leading role, the movement managed to gradually find support for the need to implement parallel processes of standardisation and integration. The development was slow and the movement's continued competitiveness was obviously helped by the fact that the country's food retail market, as late as the 1980s, was still very fragmented. But already from the 1950s and throughout the 1960s and 1970s gradual processes of increased standardisation and increased integration unfolded. The ideal during this period was the voluntary chains operating in the US. The NKL leadership systematically propounded the need for the co-op movement to adapt their organisational structures along the lines of the principles operated by these retailers. The 1980s saw a change of leadership and focus was temporarily diverted away from the overall organisational strategies. From the 1990s onwards, however, new and radical steps were taken to increase profitability and competitiveness. By now, Norwegian private retailers had seriously started to adopt the chain store model and competition in the food retail market radically intensified. To approach these developments, the NKL in close collaboration with the retail societies, developed and implemented an innovative organisational model combining the advantages of a federative organisational structure with further adoption of the trading recipe of standardisation, centralisation and integration. The

model proved competitive and despite the radical transformations of the Norwegian food retail industry during the 1990s, the co-ops managed to defend their market share and sustain their profits.

The ability to adapt the co-operative organisational model to the organisational principles operated by the multiple retailers was fundamental in shaping the economic survival of post-war co-operative enterprises. The chapters in this second section of the thesis have shown how the divergent development of the Norwegian and British consumer co-operative movement was fundamentally connected to such different abilities. Earlier we saw how the development of post-war consumer co-operative organisations was shaped by how well they adapted to radical transformations in the size, scope and structure of the food stores operated within the food retailing industry. Together, these two factors are decisive elements in explaining the post-war development of consumer co-operative organisations. However, a third factor also needs to be addressed. Competitive as well as societal developments during the post-war period not only challenged the operational and organisational characteristics of the consumer co-ops. The very ideological foundation on which the co-op based its alternative form of enterprise also came under close scrutiny. In order to secure a steady influx of new members, an attractive profile and a positive market development, the co-op movement had to adapt its basic mission and ideological profile to these competitive and societal changes. How this challenge was approached by the British and Norwegian consumer co-ops and how it shaped their development is the major theme of the third and final section of the analysis.

Section III: Ideology

A realistic and thoroughgoing examination of the Consumers' Co-operative Movement, from the standpoint of the underlying social changes which have occurred in recent decades, is just as necessary as the enquiry of the Independent Commission into the *structure* of the consumers' economic organisation.⁶⁹⁹

The above citation is adopted from a 1959 article in the international co-operative journal *Review of International Co-operation*, authored by J. M. Back, a professor of business economics at the University of Erlangen, Germany. The article dealt with the future challenges of co-operative trade in light of ongoing societal and competitive transformation and following the work of the British Independent Commission. It captures the main task of the final section of this thesis, namely to move attention away from the operational practises and organisational structures of co-operative trade towards its broader social and ideological goals and profile.

The post-war development of larger retail formats and the increasing dominance of chain store organisations within the retailing business fundamentally challenged the position of co-operative trade. In several Western European countries, including Britain, market share was lost and the consumer co-ops failed to implement the structural reforms necessary to secure their competitiveness. The revolutionary changes within the retailing industry, based as they were on large-scale operations and the development of centralised, standardised and integrated organisational structures, contrasted directly with fundamental features of the co-op as an alternative form of economic organisation. For the co-ops to survive, dramatic changes in their operational procedures and organisational structures had to be implemented. As the two previous sections have shown, the challenge of implementing these changes was met with differing success within the UK and Norwegian consumer co-operative movements. It has been argued that these differences were important in shaping the two organisations' divergent developments

The dramatic post-war transformations of the Western European food retailing industry, however, not only challenged the operational and organisational characteristics of the consumer co-ops. They also put pressure on fundamental ideological features of the co-op as an alternative

⁶⁹⁹ J. M. Back, 'Cooperative economic organisation on trial', *Review of International Cooperation*, 52:7/8 (1959), 172 (emphasis in original).

form of business organisation. These challenges were further intensified by ongoing societal transformations developing alongside the massive transformations in the retailing industry.

The original motivation for establishing co-operative enterprises in the field of retailing had been to counter the dominant position of the private shopkeeper, to promote self-governance, morality and fairness of trade and to integrate workers and farmers in the emerging consumer society. As such, the co-ops had been established as a means for the members to counter intolerable shortcomings in the existing retailing industry.⁷⁰⁰ The steady growth in market share and membership experienced in the last half of the nineteenth and first half of the twentieth century gave the impression that the co-operative organisational model had indeed succeeded in creating an important alternative to capitalist enterprises.

During the post-war years, however, all the fundamental premises of co-operative trade were challenged. The democratic governance of local retail societies became less attractive as local autonomy and democratic control by lay members gradually had to be replaced by standardisation across society structures, integrated operations and centralised governance. The actual interest among consumers to participate in the democratic governance of retail societies was also declining, further weakening the day-to-day democratic governance of the movement. Furthermore, the co-op's legitimacy as a consumer movement was under question. Most importantly, the establishment of numerous public and voluntary consumer associations gradually made the co-operative claim of being the most efficient representative of consumer interests less and less convincing. Finally, increasing affluence and intensified competitive pressure challenged the co-op's ability to offer true economic advantages for their members. The economic attractiveness of the traditional co-operative dividend on purchase faltered and the question was increasingly what actual economic benefits a co-operative membership could offer.

The main consequence of these developments was that the very relevance of the co-op as an alternative form of business enterprise was questioned. The feeling was growing that the co-operative organisational form was a remnant of the past. Most of the original purposes the co-ops had been set-up to serve had been achieved. And where there still was work to be done, other types of organisations were viewed as better suited to do the job. For many, the logical conclusion was that there was no longer any need for the co-operative alternative. As was noted in the 1959 article by J. M. Back:

⁷⁰⁰ See M. Purvis, 'Co-operative retailing in Britain', in J. Benson and G. Shaw (eds.), *The Evolution of Retail Systems c. 1800-1914* (London: Leicester University Press, 1992) and E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006).

Starting from the assumption that modern Cooperative Societies have arisen as “children of poverty”, and that their essential task is to enable poverty-stricken people to improve their position through mutual self-help, we can well reach the opinion that this objective is out-of-date, and that in the European states, with few exceptions, social economic development have outgrown the Cooperative Movement.⁷⁰¹

A fundamental post-war challenge for co-operative enterprises wanting to survive and develop in the second half of the twentieth century, was to convince existing and possible future members of the continued relevance of the co-operative alternative. At the most general level, this implied a reformulation of the basic goals and profile of the co-op. In order to secure future survival, the ideological basis on which the movement rested had to be rephrased and adapted to the new competitive and societal environment. As was concluded by Back: ‘Without a revision of the traditional time-honoured objectives of Co-operation, a renaissance of the Co-operative Movement is not conceivable.’⁷⁰²

The theme of this third section is how the consumer co-operative movement in Norway and the UK interpreted the increasing pressure on the relevance of the co-op as an alternative form of economic organisation and how they sought to adapt their goals and profile to the new social and economic environment of the post-war years. Specifically, it will show how the two movements struggled to maintain a legitimate role for co-operative trade and to what extent they managed to sustain popular support for the co-operative enterprise. Both the adoption of new operational practises and the development of a more centralised, standardised and integrated organisational structure had challenged fundamental features of the co-operative as an alternative form of business enterprise. To remain competitive in the marketplace it was not enough to operate numerous large stores in an efficient manner. Retailers also had to develop and sustain a positive image among consumers. The fundamental goals of the retail enterprise had to be clearly formulated and a consistent and attractive profile had to be established. As the traditional virtues and principles of co-operative trade were becoming increasingly questioned and deemed less relevant throughout the post-war years, it became necessary to actively re-evaluate and re-state these principles. To be regarded an attractive provider of retail services among post-war affluent consumers, it was necessary for the co-operators to reconsider the basic premises on which their alternative form of enterprise had been established.

Again, this turned out to be a challenge that was handled differently by the British and the Norwegian consumer co-operative movements. In the UK, the fragmented and conservative

⁷⁰¹ J. M. Back, ‘Cooperative economic organisation on trial’, *Review of International Cooperation*, 52:7/8 (1959), p. 172.

⁷⁰² *Ibid.*, p. 173.

approach characteristic of the co-op's handling of the operational and organisational challenges facing them during the post-war years, was also reflected in how they tackled the challenges to their ideological profile. Throughout the period covered, the British co-operators remained reluctant to accept the public devaluation of their role as a true consumer movement and continued to advocate the virtues of democratic participation by the members. Attempts to revitalise the economic advantages of co-operative membership again turned out to be fragmented and lacking in overall coordination. Independent societies developed fully independent schemes based on very different operational logics and technological solutions. Their approach thus added to the fragmented nature of the movement seen both in the development of store formats and in the overall organisational structure of the movement.

The Norwegians by contrast, were from the very beginning more inclined to accept a more limited role and already from the 1950s they had come to focus much more specifically than their British counterparts on the task of rationalising the co-operative system of distribution and retailing. Issues of consumer protection and membership participation were given less attention and largely applied as a means to strengthen the day to day commercial performance of the movement. Developing their system of economic membership advantages the Norwegians also managed, much more than the British, to approach the task in a coherent and coordinated manner. Alongside the ability to defend its market share at 24-25 per cent of the total and to produce steady profits, the end result of these developments was a massive rise in membership, doubling in the ten year period from 1990 to 2000 alone.

The purpose of this third and final section is to present these divergent approaches and analyse how they came to effect the overall development of the co-ops. It thus adds to the preceding analysis by focusing more exclusively on how the two movements struggled to reshape not only their operational and organisational structures, but also their underlying ideological orientation. The analysis proceeds through two distinct chapters. The first chapter (chapter nine) deals with two distinct questions. It presents and analyses how the co-operatives in UK and Norway tackled the increasing questioning of their traditional role as a consumer movement. It further explores how the two organisations perceived and interpreted the weakened popular enthusiasm for their democratic governance structure and shows the practical steps taken to approach this development. The second chapter (chapter ten) focuses on the traditional economic advantages offered by the co-operative enterprise, most prominently the dividend. It specifically explores how the Norwegian and British consumer co-operative movements worked to revive and improve the economic principle of the dividend in order to make it relevant and economically attractive for the post-war affluent consumer.

Chapter 9: Co-operative democracy and consumer politics

Consumer co-operatives were among the first organisations to recognise that consumers operating independently in the market place were a vulnerable group in need of organised protection and support. From its early beginnings it set forth, as retail historian Martin Purvis has shown, to supply the consumer with 'basic goods of decent quality and full weight at fair prices'.⁷⁰³ The co-ops were intended to work as a guarantee to the consumer that trade was conducted on a fair and honest basis. As such the co-op was from the beginning an organisation set to secure the interests of the consumers; it was a consumer's association. At the same time, consumer co-operative societies were also democratic movements, determined to increase ordinary citizen's influence over the system of supply on which they were dependent. The co-op was to be governed on the basis of democratic decision-making procedures and the principle of one member, one vote. As such, the societies were formed as an integral part of a more general democratic uprising. The late nineteenth century saw a substantial strengthening in the number and dissemination of popular associations and the co-op was a natural part of this political development.⁷⁰⁴ Establishing retail stores controlled democratically by the consumer was regarded as one way of strengthening democratic control over everyday life. As consumption was becoming an integral part of people's daily lives and shopping for food took up a large proportion of the consumers daily spending, controlling the local retail store by democratic means remained an attractive possibility.

From the outset, consumer co-operative societies sought to take on a broad set of functions. Alongside the practical task of operating retail stores, they were determined to operate as a guarantee for fair and honest treatment of the general consumer and promote the value of increased democratic control over the existing system of supply. The post-war years fundamentally challenged the relevance of these alternative, non-economic aspects of the co-operative enterprise. The role and functioning of the co-op as the prime protector of consumer interests came under close scrutiny. At the same time, the very idea of operating retail enterprises governed on strict democratic ideals was increasingly questioned. Not only was it deemed an

⁷⁰³ M. Purvis, 'Co-operative retailing in Britain', in J. Benson and G. Shaw (eds.), *The Evolution of Retail Systems c. 1800-1914* (London: Leicester University Press, 1992), p. 107.

⁷⁰⁴ For a short account, see for example P. Nord, 'Introduction', in N. Bermeo and P. Nord (eds), *Civil society before democracy: lessons from nineteenth-century Europe* (Lanham: Rowman & Littlefield, 2000).

inefficient form of economic organisation. Consumers increasingly saw no need to control their preferred retail stores by democratic means. The ultimate effect of these developments was that the political and democratic aspects of the co-operative alternative were losing popular support.

To secure a continued influx of members and a persistent loyalty to the co-operative stores there was a clear need for the co-ops to reconsider their position as a natural defender of the consumer interest and at the same time find new ways of dealing with the declining popularity of their democratic decision-making structure. This chapter deals specifically with how the co-op movements in Norway and the UK dealt with these challenges. Two major questions are discussed. The first relates to how the co-op movements in the UK and Norway tackled the public devaluation of their role as a consumer movement. The second relates to the democratic challenges the organisations experienced as the popular enthusiasm and general legitimacy of democratic governance of retail enterprises began to wane. It specifically explores how the Norwegian and British consumer co-operative interpreted these challenges and examines the practical steps taken to address them.

The co-op and the rise of the consumer

The immediate post-war years saw a dramatic increase in awareness of the consumer as a political subject. Consumers were incorporated into the political process and the interests and needs of the consumer were given a more prominent role in political discourse. Specifically, as the British historian Matthew Hilton has shown, increasing political concern was mounted on the possibility that the 'expansion of the economy was leaving the consumer defenceless against powerful commercial forces'.⁷⁰⁵

The increased awareness of the need to protect the interest of the consumer could have been a chance for the co-op movement to further strengthen its position as an alternative form of economic enterprise. As it turned out, however, the movement was no longer alone in wanting to become the leading representative of consumer interests. Rather, as historian Peter Gurney has argued in the case of the UK: 'the 1950s witnessed a protracted struggle across the culture and polity over the body of the consumer – that is, over which group most accurately represented the consumer and could therefore speak on their behalf.'⁷⁰⁶ Similar developments were seen in Norway, where debates over price regulations and the establishment of a state sponsored

⁷⁰⁵ M. Hilton, 'Consumer politics in post-war Britain', in M. Daunton and M. Hilton (eds), *The Politics of Consumption. Material culture and Citizenship in Europe and America* (Oxford: Berg, 2001), p. 242.

⁷⁰⁶ P. Gurney, 'The Battle of the Consumer in Postwar Britain', *The Journal of Modern History*, 77 (December 2005), 958.

consumer council launched major debates on how the interests of the consumer could be best protected.⁷⁰⁷

What these debates really reflected was how the long-held position of the co-ops as the natural protector of consumer interests was no longer immediately accepted by the larger public. Leading politicians in both the UK and Norway were reluctant to recognize the co-op as a legitimate and relevant organ for efficient consumer protection. Several alternative private and public organisations for consumer protection were also established on the premise that the co-op was primarily a business organisation and that an efficient association for the protection of the consumer was still missing. Rather than a strengthening of its broader societal role, the post-war years thus came to challenge one of the principle ideological motives for co-operative trade, its claim to be the most efficient representative of the consumer in the retail market. A major question for the co-ops during the post-war period was how this challenge should be approached. Should, and if so, how should the movement reclaim its position as a relevant and legitimate protector of consumer interests? The challenge came to be approached quite differently by the Norwegian and the British consumer co-ops

In Norway, the first serious questioning of the co-op's long held claim to be the most efficient and best suited defender of consumer interest came already in the early 1950s. The ruling Labour party had traditionally been a keen supporter of co-operative trade. In the view of prominent party figures, including the Prime Minister Einar Gerhardsen, the co-op provided the organisational means and capabilities by which to modernise and streamline the existing retail industry. At the same time, they offered the possibility of a well functioning economic democracy. On these grounds, the co-operative form of trading was, as noted in the 1947 national budget, regarded as 'a more rational section of Norwegian retailing than private trade'.⁷⁰⁸ Supported by these assertions, the co-op movement had taken on a leading role in the process of modernising and rationalising the Norwegian retailing industry, as we have described in earlier chapters.

The Labour party was, however, less enthusiastic about the co-op movement's ability to serve broader, societal functions. A first sign of this attitude may be found in Labour's reluctance to accept the consumer co-operative's self-appointed role of being the most efficient guarantee for the setting of fair retail prices. In both the meat and milk trades national federations of

⁷⁰⁷ I. Theien, 'Shopping for the "People's Home": Consumer planning in Norway and Sweden after the Second World War', in A. Chatriot, M-E. Chessel and M. Hilton, *The Expert Consumer. Associations and Professionals in Consumer Society* (Aldershot: Ashgate, 2006).

⁷⁰⁸ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukeraktivitetens historie i Norge* (Oslo: Pax, 2006), p. 266.

farming co-operatives had been given the role of price regulators.⁷⁰⁹ When the Labour government presented its suggestions for a separate price control act to the Parliament in the spring of 1952, it was, however, not even considering providing the consumer co-ops with a similar role in the retail market. Instead, when the act was finally passed in 1953, it was the public price directorate, originally a product of the First World War, that was given the prominent role.⁷¹⁰

A more direct attack on the co-ops broader societal mission came in 1953, with the establishment of a state-sponsored consumer council.⁷¹¹ The council was set-up to combine the role of advisory organ towards public price regulators with quality control and consumer education. For many co-operators, this was already a function well handled by the co-operative retail societies. The view held among dominant public officials was, however, different. When the council was finally established in 1953 it was completely dominated by the housewives organisations, which held six of the ten designated seats on the board.⁷¹² Of these six seats, one was to be held by the co-operative women's guild, while the NKL was offered one of the remaining four seats.⁷¹³ The model for consumer protection and retail price regulation advanced by the social democratic regime thus left only limited room for the consumer co-operative movement. Regulation of consumer prices, representation of consumers and consumer information – all traditional elements of the basic co-operative ideology – were from now on to be handled by government agencies where the NKL played only a minor role.

The story in Britain was in many ways similar. By the coming of the post-war years, the British consumer co-operative movement also had to accept that their claim to the position of being the most efficient protector of consumer interests was under question. And as in Norway, the British Labour party quite clearly disapproved of the potential of the co-op to function as an efficient consumer's movement. Indeed, as Peter Gurney has shown, the co-ops were 'completely overlooked' by the political establishment when questions of creating a national consumer

⁷⁰⁹ For a study of the co-operative meat trade in Norway, see S. A. Christensen and Y. Nilsen, *Langs gilde veier. Gilde Norsk Kjøtt 1931-2006* (Oslo: Dinamo, 2006). For the milk trade, see H. Espeli, T. Bergh and A. Rønning, *Melkens pris – perspektiver på meierisamvirkets historie* (Oslo: Tun forlag, 2006).

⁷¹⁰ See I. Theien, 'Shopping for the "People's Home": Consumer planning in Norway and Sweden after the Second World War', in A. Chatriot, M-E. Chessel and M. Hilton, *The Expert Consumer. Associations and Professionals in Consumer Society* (Aldershot: Ashgate, 2006).

⁷¹¹ The following paragraph is largely based on *Ibid.* and E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006), pp. 242-62.

⁷¹² These included Bondekvinnelaget, Norges Husmorforbund, Arbeiderkvinnenes Husstellkontor and Det Kooperative Kvinneforbundet.

⁷¹³ For a broader discussion of these aspects, see E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006), pp. 242-62.

protection body were discussed.⁷¹⁴ The movement simply failed to gain political support for its suggestion to create a separate consumer ministry. Instead, the private, non-profit Consumers Association (CA), established in 1956, came to take the leading role as the national consumer's movement in Britain.⁷¹⁵

The establishment of the CA was supported by many Labour affiliates. This was in itself another clear indication that the existing co-op movement, claiming at the time to hold close to thirteen million members, was not viewed as a relevant organisation to take on the role as the nation's prime consumer movement. The major mission and mode of operation of the CA was, in the words of Gurney, to 'educate consumers and help them negotiate their way through the world of consumer goods, mainly by means of the monthly publication, *Which?* magazine'.⁷¹⁶ The first issue of this magazine was published in 1957. Primarily it offered tests and meticulous investigations of consumer goods and services. The first issue for example, according to one of the organisation's first directors, Caspar Brook, contained 'a report on ten named electric kettles ... another report on sunglasses and one on the ten named brands of aspirin'.⁷¹⁷ The launching of the magazine soon turned the CA into a substantial force in the task of protecting consumer interests. At the end of the magazine's first year, 47,000 members had registered, paying an annual subscription of 10s.⁷¹⁸ After another year in operation, the number of members had risen to 150,000.⁷¹⁹

A second prominent organisation established to protect the interest of the consumer was the Consumer Advisory Council (CAC) of the British Standards Institution (BSI). The BSI was a voluntary organisation. It had been set up in 1901 by a group of companies concerned with standards in manufacturing. After the Second World War, however, the organisation increasingly involved itself with distribution and consumer goods. In 1955 it set up the CAC. The organisation was, in the words of Hilton, 'to be a source of information and advice firstly to industry about the consumer's needs ... and secondly to the public about safeguards, in the way of standards and other facilities, available to them'.⁷²⁰ In 1957 CAC launched Britain's first

⁷¹⁴ P. Gurney, 'The Battle of the Consumer in Postwar Britain', *The Journal of Modern History*, 77 (December 2005), 977.

⁷¹⁵ For a broad description of the establishment and role of the CA, see M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003).

⁷¹⁶ P. Gurney, 'The Battle of the Consumer in Postwar Britain', *The Journal of Modern History*, 77 (December 2005), 979.

⁷¹⁷ C. F. Brook, 'The discriminating consumer', *Agenda*, March (1960), 20.

⁷¹⁸ M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 195.

⁷¹⁹ C. F. Brook, 'The discriminating consumer', *Agenda*, March (1960); M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 1.

⁷²⁰ M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 186.

comparative testing magazine, *Shopper's Guide*. Three years later the organisation had more than 50,000 associates.

By the early 1960s, the CA and the CAC were, again in the words of Hilton, 'firmly established as the leading consumerist ethos groups' in Britain, with the policy of the co-operative movement appearing only 'as a reflection of their agendas.'⁷²¹ Soon, the importance of the CAC faltered. But the Consumers Association remained the most well-acknowledged consumer organisation in Britain well into the 21st century, regarded as a 'national institution' and 'celebrated for its comparative testing of the value for money of different branded goods'.⁷²² The development and massive success of the CA was a huge blow to the assertions repeatedly made by co-operators of being the most prominent protector of consumer rights. The fact of the matter was that the co-ops had completely lost out in the initial race to become the most respected and popular consumer movement in Britain. Or, in the words of the active co-operative commentator and renowned economic historian Sidney Pollard, the co-ops simply 'missed the bus in the present boom of consumers' organisations'.⁷²³

Both in Britain and in Norway the immediate post-war years saw an increasing awareness of the need to provide consumers with a stronger voice in economic and political life. Traditionally, consumer co-ops had claimed to be the most efficient and well-developed protector of consumer interests in the market place. However, in the reformulation and implementation of post-war consumer politics the co-ops were sidelined. Instead, new organisations were established to take on this role. In Norway, the state sponsored consumer council was established as the country's main protector of consumer interests, while the private, non-profit CA gradually claimed a similar position in Britain. The question remained: how would the co-op react to this drastic devaluation of the organisation's role as a consumer movement?

The approach of the Norwegian co-ops: Towards a commercialised consumerism

While the Norwegian co-operators had been largely overlooked in the Labour-led reformulation and implementation of post-war consumer politics, they had not been completely passed over. As it turned out, both the price control act and the establishment of a separate consumer council were cautiously supported by the NKL.⁷²⁴ In the debates over the price control act, the NKL

⁷²¹ *Ibid.*, p. 178

⁷²² *Ibid.*, p. 194.

⁷²³ S. Pollard, 'Towards a consumer movement', *Agenda*, September (1965), p. 4.

⁷²⁴ This and the following two paragraphs are largely based on E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006), pp. 253-62.

board of representatives finally concluded on a supportive vote. While on the one hand public price regulations implied direct interference in the co-ops day-to-day business, the intention of the act was regarded as in line with the basic goals held by the co-operatives. Hence, in the view of the representative board, 'the consumer co-operatives in reality work towards the same goals as the price control act, if by other means.'⁷²⁵

The establishment of the state-led consumer council was also eventually supported by the co-operators. In the initial phases of planning the council, the NKL had expressed scepticism towards the dominate position given to the housewife's organisations. But when the council was finally set to become established, the NKL's basic attitude was one of support and acclamation. The ultimate acceptance and support for the council, however, bore clear signs of being a compromise. As we recall, Labour had openly expressed massive support for the co-operative form of enterprise and described it as the most rational type of economic organisation. At the same time, they had renounced the movement's broader societal role. Both Labour and prominent co-operators seem, however, to have been satisfied with a solution where the politicians could take control over consumer politics while the co-operators took charge of the retail industry. By handing over responsibility for consumer protection to the state, that is, to the Labour party, the co-operatives could concentrate more fully on their business operations.

With a new and more open-minded leadership at NKL headquarters, such a division of labour could easily be accepted.⁷²⁶ But it also seems to have found support among co-operators at large. The Norwegian co-operative movement was not primarily a workers movement. By the 1950s, farmers made up approximately 40 per cent of total co-operative membership.⁷²⁷ These members were often also producers and thus less inclined to provide any primacy to consumer interests. Typically, their support for the consumer co-operative form of trading was largely related to the co-operative aspects and not the consumer aspect. A development where the movement handed over the main responsibility for consumer protection to the state and focused on developing its co-operative trading structure was therefore largely in line with the dominant attitudes held by these members. Such a development could, however, also be accepted by the majority of the members more directly affiliated to the urban, working class. Co-operative sympathisers tied to this segment of the population tended to be less radical than, say, their British counterparts. The class structure was less pronounced within Norwegian society and the

⁷²⁵ Cited in *Ibid.*, p. 257.

⁷²⁶ See chapter six in the present thesis.

⁷²⁷ In relative terms, their position was even stronger as farmers at this point made up less than 25 per cent of the total population, see E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006), p. 291.

rights of the workers had been better served. It is also evident that, apart from a few local retail societies controlled by radical leftists, the co-ops were largely managed by Labour sympathisers leaning to the reformist side of the political spectrum.

The Norwegian co-ops thus seem to have been governed and operated by managers and members believing in the primacy of co-operative trade. The continued role of the co-op as protector of consumer interests was not directly repudiated, but simply not given the same attention as the co-ops commercial role. And whenever new initiatives were taken by NKL affiliates or local co-operators to reinvigorate the political role of the co-op, these were either ignored or gradually incorporated into the commercialised rhetoric dominating the movement's leading circles. A few examples may illustrate this final point.

In 1945 a separate housewife unit had been established by the NKL.⁷²⁸ The main purpose was to provide practical guidance to consumers in areas such as efficient fitting of kitchens and the use of kitchen tools, to develop consumer education programmes and to conduct different types of product demonstrations. The unit established a separate demonstration kitchen to take care of product testing and product demonstrations. Results were reported in the magazine of the Co-operative Women's Guild, *Mellom Oss*. Alongside these initiatives, the movement also offered different types of consumer information in courses held at the co-operative college, established in 1946. Issues of consumer protection were discussed in study circles and alongside the consumer tests reported in the *Mellom Oss* magazine, the broader co-operative press continued to contain numerous articles on consumer issues.

A general problem with these different initiatives was that they lacked overall coordination. There was no superior unit within the NKL charged with coordinating the different activities. In 1961 a separate 'committee for co-operation and culture' was established, partly as a means to overcome these problems.⁷²⁹ The main purpose of the organisation was, however, to help increase the co-operative member's consciousness of style and good taste. But while the launching of the committee had met with substantial enthusiasm, it soon proved difficult to gain attention and resources from the NKL management and governing board for the different activities it propounded. Meetings held by the committee were hampered by limited enthusiasm and substantial absence among the appointed members. And only a year after it had been officially established the committee was gradually dissolved.

⁷²⁸ The following paragraph according to H. Sund, *Mellom kommersielle krav og ideelle formål. Organisasjonsvirksomheten i NKL 1945-1959* (Ma thesis, University of Oslo, 2005), pp. 105-27.

⁷²⁹ This paragraph according to T. Leborg, *Rikere hverdag. NKLs forbrukeropplysning 1960-1969* (Ma thesis, University of Oslo, 2005).

The attempts made to reinvigorate the co-op as a viable consumer movement in the 1950s and 1960s thus turned out to be a limited success. The movement remained focused on commercial modernisation while broader aspects of the co-operative ideology, apart from some scattered initiatives, failed to attract the necessary attention and interest. Initiatives that were enthusiastically launched often ended up being ignored as soon as the immediate public attention given to them had been taken advantage of. And while a few NKL managers and elected officials truly held a keen interest in reinvigorating the NKL's role as a consumer movement, the large majority of the NKL management remained preoccupied with the task of modernising the movement's trading activities. The end result was, as concluded by a study specifically devoted to the operations of the NKL organisational department during the 1950s, that most of the plans and strategies developed in the field of consumer protection and consumer education ended up being 'used commercially as a means to strengthen the NKL and the co-operative movement in Norway'.⁷³⁰ Rather than developing as an independent part of the movement, consumer advocacy was integrated into the commercial strategies of the movement.

A new attempt to bolster a separate role as a consumer's movement was launched at the beginning of the 1970s. In 1969 a separate council had been established within the NKL in order to strengthen the movement's consumer education. The local retail societies were also set to establish their own units for consumer education. By 1973 such units had been created in more than half of the existing retail societies and a series of initiatives aimed at educating consumers on issues such as nutrition, consumer rights and product quality control were launched.⁷³¹ A year later, at the 1974 NKL Congress, a separate 'co-operative consumer programme' was presented and debated. The programme had been instigated at the 1971 NKL Congress and was intended as a 'programme for consumer influence and for the development of the consumer co-operative movement'.⁷³² The launch and implementation of the programme would suggest that a renewed commitment had been born within the NKL to re-invigorate its role as a consumer movement.

It soon turned out, however, that the increased attention given to consumer politics was to be a short-lived affair. Nor did it imply a departure from the basic commercial attitudes dominating the Norwegian co-op management throughout the post-war period. The NKL and the local retail societies continued to invest heavily in new warehouses, in developing large department stores and hypermarkets accommodating new consumer trends and generally in

⁷³⁰ H. Sund, *Mellom kommersielle krav og ideelle formål. Organisasjonsvirksomheten i NKL 1945-1959* (Ma thesis, University of Oslo, 2005), p. 133.

⁷³¹ G. C. Aakvaag, *Mellom sosialdemokratisk modernisering og nyliberal individualisering. En studie av Forbrukersamvirket og medlemmene fra 1970 til 2003* (Oslo: Institute for social research, 2004).

⁷³² Norges Kooperative Landsforening, *Forbrukersamvirket i Norge. Opplegg til debatt om et forbrukerprogram* (Oslo: Haakon Arnesens Boktrykkeri, 1971), p. 3.

renewing the existing structure of the co-operative outlets. And while consumer information was strengthened, the basic strategy of the NKL management remained to integrate the consumer political goals with the day-to-day commercial activities of the movement. As emphasized by the chairman of the NKL board Peder Søliland when presenting the consumer program to the 1971 congress: 'For those of us working within the realms of the consumer co-operative movement it should remain a basic goal to raise issues of consumer protection and to discuss the problems experienced by consumers in such a way that it remains closely linked to our day-to-day operations.'⁷³³ In practise this mostly implied that consumer information and product testing was to be directly tied to the business operations of the retail societies. Indeed, Peder Søliland, at a meeting held in the newly established education council in 1971, had openly expressed that he had 'been somewhat sceptical of consumer education, but that he had been convinced that this had substantial PR-value'.⁷³⁴

On these grounds, the major focus of the consumer programme remained on factors such as the commercial importance of offering matter-of-fact product information, the need to develop a socially acceptable selection of products and a clear policy of responsible marketing. It is also revealing that perhaps the most successful strategy implemented within the frame of the movement's renewed consumer political awareness, was the launch of a separate group of simple, non-branded products, the so-called 'blå-hvite varer'. These products were officially launched as a protest against the abundance of choice and the increasingly sophisticated strategies of commercial marketing. They were given a permanent, low price and were not part of any sales marketing campaigns. Only one variant of each product was produced and they were all given very simple packaging. While the moral and consumer-friendly aspects of the products were persistently advocated in public, among the NKL managers the commercial rationale remained their main justification. As NKL manager Svein Stokke argued in an internal memo, 'the main goal of the launch has to be to create goodwill towards the co-operative movement and that the product series becomes so interesting that it draws new customers to the co-operative societies'.⁷³⁵

The general picture is thus that, despite the new initiatives of the 1970s, the commercial goals of the movement continued to outshine the movement's role as consumer movement. The initial enthusiasm for the co-operative consumer programme soon waned. The 'blå-hvite varer'

⁷³³ Norges Kooperative Landsforening, NKLs 32. kongress, Kristiansand, 6.-8. september 1971, *Stenografisk referat fra kongressforhandlingene* (Oslo: Aktietrykkeriet 1972), p. 114.

⁷³⁴ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006), p. 387.

⁷³⁵ Cited in K. Kirknes, *Reell handel - ikke sirkus. Samvirkelegenes blå-hvite varer 1980- 1994* (Ma thesis, University of Oslo, 2004), p. 40.

primarily served commercial functions, while the effect on the movement's standing as a consumer movement remained negligible.⁷³⁶ Leading officials and managers in the NKL continued to view consumer education as secondary to commercial operations. Alternatively, such activities were regarded purely as a means to secure commercial success. This commercialised rhetoric also framed the initiatives taken towards consumer politics during the 1980s and 1990s. Hence the 1990 NKL *Annual report* openly stated that, apart from the advantages related to the integrated, centralised and standardised organisational structure about to be developed, '*further competitive advantage* lies in our commitment to other consumer interests such as buying safety, thorough product information and the assurance that our products, as far as possible, take care of both health and the environment.'⁷³⁷

The popular perception of the consumer co-op as primarily a regular business organisation was thus firmly entrenched throughout the post-war years. The co-ops did indeed launch a series of initiatives set to serve and advantage the consumer, but these were not provided with any autonomous value or status. Rather, they were all framed within a commercial rhetoric and used actively as a means in the day-to-day competitive struggle against the regular, private retailers. Hence, while the approach of the co-ops to the issues of consumer policy may have strengthened their commercial performance, it did little to improve their legitimacy as a viable consumer movement.

Co-operative consumerism: the reactions of the British co-operators

The legitimacy of co-operative retailers as truly dedicated and efficient protectors of consumer interests came under attack during the immediate post-war years. In Norway, the response from the co-operators had largely been to accept the criticism. Cautious support was given to the newly established consumer council while consumer education and consumer advocacy were gradually and more openly turned into plain marketing tools for the retail operations. A division of responsibilities, where the state took care of consumer issues and the co-ops concentrated on the need to rationalise the Norwegian retailing industry was more-or-less openly established.

The UK co-operators were more reluctant to accept that they had no role to play in protecting the country's consumers. They were ignored by Labour in their attempt to establish a separate consumer's ministry and soon bypassed by the Consumers Association as the (popularly

⁷³⁶ The commercial effect, however, soon faltered and by 1994 the products were discontinued. (for an analysis, see K. Kirknes, *Reell handel - ikke sirkus. Samvirkelegetes blå-bvite varer 1980- 1994* (Ma thesis, University of Oslo, 2004).

⁷³⁷ Norges Kooperative Landsforening, *Annual report 1990*, p. 3 (emphasis added).

held) most renowned and trustworthy organisation for the protection of consumer interests. Still, they continued to hang on to their historic role and repeatedly advocated that they, as a co-op, represented the original and most reliable protector of the true consumer interest.

Why were the co-operators so reluctant to accept the entrance of new consumer movements and the increasing neglect of what they themselves could offer in the field of consumer protection? The reasons are numerous. First of all, they simply argued that the new consumer movements had failed to recognise and acknowledge the historic and the contemporary importance of the co-op as a consumer movement. A 1965 editorial in the official Co-operative Union journal, the *Co-operative Review*, paints a telling picture. While the article recognised the positive achievements of the CA, it also, cautiously but firmly, noted how the CA needed to be aware of its still limited experience as a consumer organisation: ‘The progress of the Consumer’s Association (founded 1957) has been watched with a friendly eye by the Co-operative Movement (circa 1844) which sees the C.A. as another useful force in the struggle to protect the consumer’.⁷³⁸ The article further went on to note that, ‘while the Consumer’s Association in the few years of its existence, has achieved much in making a name for itself, it is still a mere “adolescent” in age compared with the Co-operative movement, which has more than a century of experience in consumer protection.’⁷³⁹ The *Review* editor also expressed offence about the CA asserting ‘itself as the one and only consumer champion’ while ignoring ‘the achievements of an “old hand” like the Co-operative movement.’⁷⁴⁰

The co-operative scepticism was not limited to the young age of the CA and its reluctance to accept the Co-op movement as a true defender of consumer rights. A major argument against the new types of consumer movements was also related to how these organisations failed to offer an alternative to capitalism and rather sought only to help consumers navigate within the capitalist system of distribution and consumption. Indeed, as Hilton has noted, while the so-called ‘Best Buy’ articles, featured regularly in the CA’s *Which?* magazine, were largely ‘reflecting consumers’ desires to participate in ... the modern market place’, the co-op on the other hand, would typically offer schemes such as ‘Buyer beware’, to warn against the abuses of certain manufacturers.⁷⁴¹ This attitude reveals one of the most striking differences between the Norwegian and the British consumer co-operatives. The Norwegian co-operators of the immediate post-war period were not in any sense opposed to the existing capitalist society. Ideals of creating a co-operative commonwealth were long gone and the major challenge was defined as

⁷³⁸ ‘Jaundiced eye’, *The Co-operative Review*, 39:11 (1965), 1

⁷³⁹ *Ibid.*

⁷⁴⁰ *Ibid.*

⁷⁴¹ M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 177.

one of rationalising and making more efficient the existing system of distribution. Pragmatist attitudes of commercial modernisation dominated the Norwegian co-operators. By contrast, the British co-operators continued to uphold their broad mission of societal transformation way into the 1950s and 60s. They continued to advance the view that co-operation was an alternative and morally more advanced system of retailing to that of capitalism and they envisaged a future development whereby the co-operative alternative would replace the existing capitalist system. As we have seen earlier, these attitudes shaped the British co-operators reluctant adoption of more modern forms of retailing practises.⁷⁴² It also explains why they remained unwilling to accept that they had been completely sidelined in the ongoing struggle to be defined as the prime protector of consumer interest. It is revealing, as Hilton has noted, that the general attitude of the British co-operators towards consumerism remained ‘a negative critique of business’, rather than a ‘positive embrace of market intervention’.⁷⁴³

In extension of such and similar assertions, the co-ops also targeted the new consumer movements for being largely middle class projects which failed to efficiently represent the large number of poorer, working class consumers. As opposed to the Norwegian co-ops, the British co-operative movement remained an organisation of the working classes dedicated to serving the interests of the working class population. This not only made them sceptical of capitalism per se. More specifically, it made them instinctively sceptical of the new consumer movements tending, as the co-operators saw it, to focus solely on the interests of the middle classes. When a separate public Consumer Council was established in 1963, it was bluntly described by Max Wood of the Co-op Union as merely a ‘bunch of middle-class intellectuals’.⁷⁴⁴ A more detailed critique was provided by the active co-operative commentator and renowned economic historian Sidney Pollard, in a 1965 article in the co-operative Journal *Agenda*:

the defence organisations, particularly the Consumers’ Association, are largely middle class ventures. The middle classes have always known how to defend their interests, and in this case the amazing successes of the association which began tentatively only a few years ago have been a tribute to its power of organisation. However, its methods and its approach are such as to exclude a large majority of the population, the working classes, from its orbit ... thus the reports of the C.A. have tended to concentrate on the grievances of the purchases of houses, motorcars, washing machines or encyclopaedias sold door-to-door, and have been notably weak in dealing with such problems as rented

⁷⁴² See section one and two in the present thesis.

⁷⁴³ M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 178.

⁷⁴⁴ Cited in M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 229.

dwelling, increases in bus fares or the more obnoxious forms of credit trading found in working class areas.⁷⁴⁵

Pollard's critique is revealing. It shows that the British co-operators saw a continued need to defend the working classes as a marginalised social group within British society, still shut out from the comforts of affluence and mass consumption. It thus also offers further explanation of why they were reluctant to hand over the responsibilities of consumer protection to other, non co-operative organisation.

A final related factor is that the British co-operators, unlike the Norwegian co-operators were not offered an alternative path of expansion by their Labour affiliates. As we recall, in Norway Labour had actively stimulated the co-operators to take the lead in the necessary process of rationalising the country's retailing industry.⁷⁴⁶ In Britain by contrast, and as Gurney has remarked, 'relations between the cooperative movement and the Labour Party [were] strained to the limit, [and] co-operators had to face alone the challenges posed by the spread of consumer capitalism'.⁷⁴⁷ In this situation the answer became to hold on to old virtues and try to convince the modern consumer of the continued relevance of the co-operative alternative, within the economic sphere, within the sphere of consumer protection and as we shall see shortly, also within the sphere of democratic participation

On the grounds of these general attitudes, the British co-op movement, throughout the entire post-war period, continued to claim a prime role as defender of the interest of the British (working class) consumer. This claim, however, largely remained expressed by way of a critique of the new consumer movements arising. Practical initiatives in the field of consumer protection capable of attracting the attention of the affluent post-war consumer were much less visible. Most prominently the movement seems to have failed to integrate their consumer-political enthusiasm with the day-to-day business operations of the retail stores. While it's true that many retail societies operated educational facilities, provided consumer information and consumer testing, they largely failed to develop the practical means necessary to attract the support from post-war consumers. As Mathew Hilton also concludes, while the co-ops in the post-war decades 'struggled to take the lead in the politics of consumer affluence ... [they] provided few dynamic responses to consumer interests'.⁷⁴⁸ The consequence was that gradually the organisation's

⁷⁴⁵ S. Pollard, 'Towards a consumer movement', *Agenda*, September (1965), p. 4.

⁷⁴⁶ See also chapter six in the present thesis.

⁷⁴⁷ P. Gurney, 'The Battle of the Consumer in Postwar Britain', *The Journal of Modern History*, 77 (December 1955), 967.

⁷⁴⁸ M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 176.

influence, as well as the acknowledgment of the co-operative as a consumer movement, waned alongside a steadily deteriorating market position.

The approaches taken by the Norwegian and British consumer co-operatives in the quest to restate their role as relevant consumer movements shared many similar features. Most prominently, neither of the two movements managed to regain a legitimate role as a true protector of consumer rights. Nor did they manage to shape a more consumer-friendly profile for their retailing activities, compared to that of their competitors. As such, both organisations were increasingly regarded like any other business, with no special claim to be a particularly consumer-friendly food retailer. The major difference between the two is that the UK movement seemed more reluctant to abandon the idea that the co-ops offered a true alternative and superior form of consumer protection. The Norwegians more easily accepted and indeed embraced their more limited role. Their initiatives were soon framed within a commercialised rhetoric, while the British, at least in official statements and publications, continued to relate their initiatives to more fundamental goals of societal transformation. While such attitudes may have been more in keeping with the true ideology of co-operative business, they failed to attract the enthusiasm and support necessary to strengthen the overall position of co-operative trade. A similar overall difference in approach may be detected when looking at the second area where co-operative ideology was challenged by post-war societal and competitive developments, namely the field of co-operative democracy.

Co-operative democracy under pressure

In September 1969 the twenty-fourth Congress of the International Co-operative Alliance (ICA) was to be held in Hamburg. The major theme of discussion was 'Contemporary Cooperative Democracy.' A background paper was prepared for the keynote speakers, and excerpts from this were presented in an article in the *Review of International Co-operation* in March.⁷⁴⁹ The article summarised the essence of the contemporary problem of co-operative democracy:

Cooperatives everywhere have always found it difficult to retain the full vigour of their democratic base. In recent years, however, sweeping changes in cooperative structure ... have greatly increased the proportions of the problem. These changes in cooperative structure involve: concentration of recourses; larger, more integrated operational units; standardisation; centralisation of services and management; and conformity to universally binding development plans. The major effect, in the context of democracy, has been to widen the gap

⁷⁴⁹ See L. S., 'Contemporary Cooperative Democracy', *Review of International Co-operation*, 62:3 (1969), 126-32.

between members and management and to remove decision-making from the local base which have long been considered the foundations of democratic control. This emasculation of democracy can and does manifest itself in diverse ways: in member apathy, low attendance at meetings, weakening of traditional cooperative loyalty, inability to attract young people, difficulties in recruiting staff, loss of the sense of belonging and of exerting influence and rigidity – and even sometimes in blurring of the end purposes of cooperation, namely, to serve the interest of the members.⁷⁵⁰

The objective of the ICA conference was not primarily to oppose or reverse the development trends creating these democratic problems. Rather, it sought to put forward and to discuss proposals capable of reviving co-operative democracy and to adapt the existing system of co-operative decision-making to present-day challenges. Indeed, a fundamental premise of the discussions held was that all measures suggested should be ‘intended to reconcile democratic control with maximum efficiency’, and that no suggestions that ‘solve the dilemma by opting for lesser efficiency’ were to be considered.⁷⁵¹ The process of centralisation, concentration, integration and standardisation pointed to in the paper was thus taken as given. The question was how co-operative democracy could be developed within the framework of such structures.

As we have seen earlier, both the Norwegian and the British consumer co-operatives were strongly affected by the development trends the ICA report presented.⁷⁵² In both countries, the recipe of integration, standardisation and centralisation had been adopted to approach the competitive challenges of the multiple chains. Parallel to these developments, both organisations had experienced increasing problems of member participation and member involvement. For both the Norwegian and the British co-op movement, the problem of how to reconcile commercial necessities with demands for truly democratic governance by the members was increasingly felt. Once again, however, the responses to the challenge presented turned out quite different.

Democracy in the British movement

In the UK movement concern for the decline in democratic participation was a recurring issue of debate in the post-war years. From the mid-1950s onwards the Co-op Union took the initiative to study a wide variety of aspects related to the governance of co-operative retail societies as well

⁷⁵⁰ *Ibid.*, 126.

⁷⁵¹ *Ibid.*, 127.

⁷⁵² See section two in the present thesis.

as their federals.⁷⁵³ The issues investigated included the actual 'state' of co-operative democracy, the formal structure of the existing co-operative system of democracy, the process of decision-making and the internal system of governance operated by retail societies, i.e. the division of labour and responsibilities of the board of directors and the general management.

The studies conducted were partly organised as internal commissions and partly as external academic surveys and broader research projects. Typically the more independent academic surveys would in one way or another be assisted and supported by the Co-op Union. Publication of results appeared in co-operative journals and some of the studies were also published by the Co-operative College. As the Swedish historian Katarina Friberg has noted, there was 'no sharp demarcation line between internal organisational discussions and academic inquiry.'⁷⁵⁴

In any case, if the findings of trade reports such as the Independent Commission had been alarming, the research into co-operative democracy hardly provided any reassurance. It showed quite clearly that not only was the trading position of the co-op under severe pressure; the functioning of the co-operative system of democracy was similarly weak. Even if it was hard to argue the case for a specific historical trend, the contemporary figures alone were critical. Most prominently, figures on proportions of members attending meetings and voting at general elections showed that only a very limited share of the total number of members were in fact participating in the democratic processes of the co-op. A study in 1955 for example, showed that on average, only 0.5 per cent of the members were attending business meetings, while 1.7 per cent were using their democratic right to vote at board elections. In 1960, the comparable figures were 0.2 and 1.4 per cent respectively.⁷⁵⁵ True, participation varied considerably between societies, being generally lower in the larger than in the smaller societies, but the general trend was one of very limited participation.

The findings sparked major worries in the movement over the fate of co-operative democracy; a worry clearly reflected in the persistent reluctance among British co-operators to adopt radical strategies of trade rationalisation. As we recall, major trade reports presented to the

⁷⁵³ This and the following paragraph are largely based on K. Friberg, *The workings of co-operation. A comparative study of consumer co-operative organisations in Britain and Sweden 1860 to 1970* (Växjö: Växjö University Press, 2005). Some of the studies included J. A. Banks and G. N. Ostergaard, *Co-operative Democracy* (Manchester: Co-operative College, 1955); G. N. Ostergaard and M. Currell, 'Recent trends in Co-operative democracy, Agenda, September (1961), 58-64 and G. N. Ostergaard and A. H. Halsey, *Power in Co-operatives. A Study of the Internal Politics of British Retail Societies* (Oxford: Basil Blackwell, 1965).

⁷⁵⁴ K. Friberg, *The workings of co-operation. A comparative study of consumer co-operative organisations in Britain and Sweden 1860 to 1970* (Växjö: Växjö University Press, 2005), p. 31.

⁷⁵⁵ These and the following figures reported in G. N. Ostergaard and M. Currell, 'Recent trends in Co-operative democracy, Agenda, September (1961), 58-64 and G. N. Ostergaard and A. H. Halsey, *Power in Co-operatives. A Study of the Internal Politics of British Retail Societies* (Oxford: Basil Blackwell, 1965), pp. 71-6.

co-operators in the 1950s and 1960s, most prominently the Independent Commission, had largely failed to produce any substantial changes in how the co-ops ran and organised their activities.⁷⁵⁶ A major reason was simply massive fear among the co-operators that the democratic decision-making apparatus of their enterprise would be further weakened. While many co-operators accepted the main diagnosis presented in the trade reports, the scepticism towards the solutions they suggested remained pronounced. Commenting on the report of the Independent Commission in a 1958 issue of *Agenda*, the president of the small Rushden society, Harry Bailly, noted the following:

One of the alarming things inherent in the report is its endeavour to make capitalists of us all. The comparisons with our competitors and the corollaries adduced there from can only mean that we too must advance by the same methods that our competitors use... The minority report if anything is more honest in its recommendations because it quite clearly sets the movement up as a national multiple organisation ... Any reference to democracy and democratic control of policy is mere padding and that applies to the Majority Report too

Similar scepticism was expressed about the many different commissions and rationalisation plans presented to the co-operators throughout the 1960s and 1970s. Many active co-operators continued to regard democratic governance as the ultimate defining feature of the co-op as an alternative business model. A demise of democratic governance would, in the view of these representatives, imply a demise of the very reason for upholding co-operation as an alternative to private business. As was noted by Edgar Evans in a critical article on consumer co-operative democracy in a 1969 issue of the *Co-operative Review*: 'I am concerned at the growing lack of interest on the part of the movement's vast membership. Without a substantial lay involvement the whole concept of Co-operative endeavour in all its aspects is pointless and utterly without purpose.'⁷⁵⁷ On similar lines, Jean Stensfield of the London Co-operative Society argued forcefully in an article in the *Review* a couple of years later how 'winning member-interest' was 'a burning question for the movement'.⁷⁵⁸ Typically, representatives of such attitudes would also relate weakened democratic participation to the trading problems experienced by most retail societies. As Evans rhetorically noted in his 1969 article: 'Strangely enough, the loss of trade coincides with the falling off in lay participation and interest and the starving of funds for those activities within the Movement which stimulate member involvement.'⁷⁵⁹ Similar views were held by Stanfield who argued that 'although it is not recognised as such, member participation is a

⁷⁵⁶ See section two in the present thesis for an analysis.

⁷⁵⁷ E. Evans, 'Democratic control – can it survive?', *Co-operative Review*, 43:1 (1969), 3.

⁷⁵⁸ J. Stansfield, 'The Consumer and the Member', *Co-operative Review*, 46:6 (1972), 2.

⁷⁵⁹ E. Evans, 'Democratic control – can it survive?', *Co-operative Review*, 43:1 (1969), 3.

powerful weapon in the battle of the Co-operatives against the multiples. Member-participation is usually accompanied by great loyalty to the Co-op shop and so means more trade.⁷⁶⁰

Worries over the lack of member participation and a diminishing co-operative democracy were also repeatedly reported during the 1980s. It was, however, becoming increasingly clear that, apart from a persistent reluctance to accept the suggested reforms of trade rationalisation, the worries largely failed to produce any significant action on part of the retail societies. As in the case of consumer protection, the co-op's role as a democratic association was largely treated in separation from issues of trade and commercial performance. The co-operative congresses in 1982, 1986 and 1987 all held major discussions on democracy and how 'an active and informed membership [was] ... essential to the future well-being and development of consumer co-operation.'⁷⁶¹ Indeed, at the 1987 congress in Harrogate, membership participation and member benefits was made the subject of the main debate. Together with the London region of the CRS the Central Executive of the Co-op Union had prepared a separate report on the subject. Presenting the report to congress Mrs. G. Bunn of the Central Executive exclaimed that 'we should all be as concerned as the Executive is in realising that very few societies have a clear policy on the matter of member involvement and generally they do very little to interest their membership in becoming more closely involved.'⁷⁶² At the same time, Bunn had to admit that she was not the first to advocate the need to increase the democratic participation among the members. Indeed, as she told congress:

the more we looked at the problem, the more we recognised we were exploring the same ground as other colleagues who produced five similar reports in the first years of the 1980s. The contents of all of them were taken into our considerations and that was the first of our conclusions. It had all been done before, and one wag on the sub-committee was heard to declare that if there was an Olympic event for preparing reports on one subject, we would certainly be out there amongst the "Golds".⁷⁶³

The general conclusion seemed to be that while worries over the democratic 'state' of the British co-op movement were numerous, the movement had had little success in finding ways to solve the problems. Participation remained negligible throughout the post-war years. At the same time,

⁷⁶⁰ J. Stansfield, 'The Consumer and the Member', *Co-operative Review*, 46:6 (1972), 2.

⁷⁶¹ Cited from the Central Executive's amendment to a resolution on co-operative membership proposed by the London region of the CRS. Both the amendment and the substantive proposal was carried on a show of cards, see Co-operative Union Ltd, *The 117th Annual Congress of the Co-operative Union Ltd. held in the Aberconny centre, Llandudno, from May 25 to 27, 1986* (Manchester, Co-operative Union Ltd, 1986), p. 66.

⁷⁶² Co-operative Union Ltd, *Report of the proceedings. The 118th Annual Congress of the Co-operative Union Ltd. was held at the Harrogate Centre from May 24 to 26, 1987* (Manchester, Co-operative Union Ltd, 1986), p. 27.

⁷⁶³ Co-operative Union Ltd, *Report of the proceedings. The 118th Annual Congress of the Co-operative Union Ltd. was held at the Harrogate Centre from May 24 to 26, 1987* (Manchester, Co-operative Union Ltd, 1986), p. 25.

the worries seem to have nurtured many co-operators' reluctance to introduce basic reforms in their existing trading structure. Amalgamations, stronger adherence to standardised modes of operation and a tighter integration of the co-operative distribution chain continued to be rejected by many retail societies, referring to how such reforms would be detrimental to the democratic decision-making structure of the society. The ultimate consequence was, however, that both in terms of trade and in terms of member participation, the decline continued. The movement simply failed to find solutions that would effectively solve the initial challenge set by the 1965 ICA conference, 'to reconcile democratic control with maximum operational efficiency'.⁷⁶⁴

Democracy and member participation in the Norwegian co-ops

When comparing the UK co-operators' attitudes and discussions on co-operative democracy with that of Norwegian co-operators some interesting differences are revealed. Indeed, initially the similarities are perhaps the most striking. During the post-war period, both the Norwegian and the British consumer co-operative movements saw the legitimacy of their democratic decision-making structure questioned as increased centralisation, standardisation and integration were adopted as the dominant competitive formulae. And similar to the British experience, Norwegian co-operators also expressed repeated worries about the lack of interest among many co-operative members for participating in the democratic processes of the local retail societies. Already in 1950 the editor of the *Forbrukeren* Christoffer Röhne expressed his worries over the perceived problem that 'the attitude among the large majority of members today is similar to that held by the customer of any type of retail store'.⁷⁶⁵

But, as in the case of consumer protection, these worried voices did not manage to take a central position in the movement's dominant discourse. And soon, questions of democratic participation were linked to the commercial activities of the movement. Hence, member recruitment was deemed important primarily as a means to secure an influx of capital while member participation was primarily related to such activities as increased buying, increased savings and increased loyalty to the co-op stores and not to actual participation in the democratic decision-making process of the retail society.

⁷⁶⁴ 'Contemporary Cooperative Democracy', *Review of International Co-operation*, 62:3 (1969), 127.

⁷⁶⁵ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), p. 538.

Knut Moe of the NKL management, together with Peder Søiland was, as noted earlier, among the keenest proponents of a commercialised modernisation of co-operative trade.⁷⁶⁶ While both these leaders were dedicated co-operators, their basic understanding of co-operative ideology did not place day-to-day member democracy at the forefront. Rather, Moe advocated forcefully the need to integrate the operations of the retail and wholesale units, and thus the substitution of ‘decision-making from the local base’ with ‘conformity to universally binding development plans’, to paraphrase the ICA article earlier cited.⁷⁶⁷ On similar lines, Søiland, a prominent ICA figure, consistently promoted the need to rationalise the structure of co-operative societies and the creation of larger units. While such developments would necessarily ‘widen the gap between members and management’ and thus threaten the dynamism of co-operative democracy, Søiland was of the conviction that radical rationalisation at the society level was necessary to secure the very survival of co-operative trade.⁷⁶⁸

As opposed to the UK experience, where major studies into the problems of co-operative democracy were undertaken, it is thus no surprise that the lack of democratic participation by members was given only limited attention by Norwegian co-operators. Indeed, this may be partly explained by the fact that actual participation at meetings was deemed quite satisfactory. The co-operative newspaper *Vårt Blad* in 1965 reported how it had received notifications from different parts of the country of a ‘lively meeting activity ... organised by co-operative societies.’⁷⁶⁹ The editor further noticed that ‘the activity is so substantial and the attendance at meetings so large that it puts the usual comments of meeting fatigue to shame.’⁷⁷⁰ A study published in 1984, investigating participation at the co-operative retail society’s annual meetings showed that close to 12 per cent of the members had participated, on average.⁷⁷¹ As we recall, as early as 1960 the attendance at general business meetings in UK retail co-operatives was less than half a per cent.

Such reports were actively used by the NKL management to gain further support for their strategies of increasing standardisation, integration and centralisation. Hence, when Peder Søiland in a 1970 interview with *Forbrukeren* held that ‘the co-operative movement continues to have a substantial attendance at its meetings, especially the yearly assemblies’, and thus that the co-op was ‘not affected by the same problems with member passivity as some other organisations’, it needs to be viewed in relation to Søiland’s position as NKL chairman and his

⁷⁶⁶ See section two in the present thesis for a full account.

⁷⁶⁷ ‘Contemporary Cooperative Democracy’, *Review of International Co-operation*, 62:3 (1969), 126.

⁷⁶⁸ *Ibid.*

⁷⁶⁹ ‘Ingen møte-tretthet’, *Vårt Blad*, 21 (1965), 1.

⁷⁷⁰ *Ibid.*

⁷⁷¹ J. Tøndel, *Forbrukerkooperativt deltakerdemokrati!? Analyse av det forbrukerkooperative medlemsdemokrati ut fra en universell kooperativ og deltakerdemokratiske synsvinkel* (Ma thesis, Statens lærerhøgskole i handels- og kontorfag, 1984), p. 144-46.

basic attitude towards the need for structural rationalisation and concentration of co-operative trade in larger units.⁷⁷² The principal objection towards the developments Søiland advocated was that they deprived the societies of autonomy and reduced the possibilities for active and meaningful membership participation. Søiland's basic attitude was, however, that these problems were not relevant in the Norwegian case: 'there is nothing that supports the assertion that the amalgamated societies represent a threat to democracy in the Norwegian consumer co-operative movement.'⁷⁷³

In any case, the attention given to the democratic 'state' of the co-operative movement seems to have been much more limited in Norway than in the UK. Instead, as in the case of consumer protection, member involvement was typically related to issues of economic performance and framed within an overall commercial rhetoric. As early as 1956, an editorial in *Forbrukeren* noted how increased membership recruitment was important simply because it would provide 'increased sales and increased earnings in the retail stores'.⁷⁷⁴ It was further noticed how an increased membership would 'create immediate effects in the form of ... increased access to capital servicing the business operations'.⁷⁷⁵

Questions of membership involvement were also increasingly related to and measured by the level of economic involvement in the retail societies and not participation in the democratic decision-making process. Perhaps the most telling difference between how the Norwegian and the British consumer co-ops developed their relationship with their members in the post-war years relates to differences in their members economic involvement. In close connection to the recruitment campaigns of the 1950s the NKL also launched campaigns to increase the level of member savings in the societies. As we saw earlier, this campaign proved a huge success, increasing dramatically the average capital held by members in co-operative societies. In the period from 1950 to 1980, members' savings grew eightfold in fixed prices. In a similar period, the share capital of British co-operative members declined by 95 per cent in real terms.⁷⁷⁶ Norwegian retail societies also managed to dramatically enhance the average sales per member. General estimates show that from 1945 to 1960 alone, average sales per member in fixed prices increased by a dramatic 170 per cent.⁷⁷⁷ In the UK, the similar figure saw a *reduction* of about

⁷⁷² 'Det er intet som tyder på at de store konsentrasjonslagene representerer noen fare for demokratiet i norsk kooperasjon, sier NKLs formann', *Forbrukeren*, 25:1 (1970), 3.

⁷⁷³ *Ibid.*, 1.

⁷⁷⁴ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), p. 539.

⁷⁷⁵ *Ibid.*

⁷⁷⁶ See chapter three in the present thesis.

⁷⁷⁷ Estimated from Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

twenty per cent.⁷⁷⁸ It thus seem clear that, in comparison to the British movement, the Norwegian co-operators managed to create a positive spiral of increased membership and increased loyalty alongside a fairly positive democratic participation. While the actual day-to-day functioning of the democratic decision-making structure was not convincing in terms of the actual levels of participation, the co-operators managed to create a positive link between the members, their participation and the economic performance of the movement. They also largely managed to bring to fruition the positive circle advanced by the 1965 editorial in *Forbrukeren*, stating the overall goal of the ongoing membership recruitment campaigns:

Increased member activity creates a new atmosphere in the society. More conscious co-operators, increased buying, increased profit, increased possibility to retain capital for further expansions with advantages for both new and older member, increased optimism and belief in the future, increased trust and increased availability for further capital and so on and so forth.⁷⁷⁹

The answer of the Norwegian co-operators to the problems of engaging members actively in the democratic decision-making of the retail societies was thus primarily solved by focusing more exclusively on other types of participation than the purely democratic. And while one obviously may question the actual workings of the co-operative democracy, this seems not to have bothered the many new members joining the organisation in the 1950s, 1960s and 1970s.⁷⁸⁰ A similar approach to membership and democracy was consistently held throughout the 1980s and 1990s. Hence, when the membership department of the NKL, in its 2000 *Annual report*, for purposes of statistical analysis was to define an 'active member', the definition was simply all those 'making 60% of their daily household consumption in the consumer co-operative'.⁷⁸¹ Such an approach to membership seems to have been widely accepted. And while voices were raised expressing concern over the lack of actual membership participation in the decision-making processes of the co-op societies, they remained marginal in their impact. As long as the formal democratic structures remained intact and democratic participation was viewed as acceptable, the

⁷⁷⁸ Figures adopted from G. N. Ostergaard and A. H. Halsey, *Power in Co-operatives. A Study of the Internal Politics of British Retail Societies* (Oxford: Basil Blackwell, 1965), pp.71-2. Note that these figures are affected by the uncertainties of the UK membership figures. The trend should however be the same.

⁷⁷⁹ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), p. 539.

⁷⁸⁰ In the period from 1950 to 1980 the number of co-operative members was almost doubled, from 272,618 to 524,555.

⁷⁸¹ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukesamvirkets historie i Norge* (Oslo: Pax, 2006), p. 535.

organisation seemed confident with how it had approached the ICA challenge of reconciling 'democratic control with maximum operational efficiency'.⁷⁸²

Conclusions

Consumer co-operative enterprises were established on the basis of a broad ideological mission. Apart from operating retail stores in a cost efficient manner and offering their members a share of the surplus, they sought to operate as a guarantee for fair and honest trading and to promote the value of increased democratic control over the existing system of supply. The post-war years fundamentally challenged the relevance of these alternative, non-economic aspects of the co-operative enterprise. The legitimacy of the consumer co-ops as an efficient protector of consumer interests was questioned and the democratic decision-making structure the co-ops offered gradually came to be regarded as unviable.

This chapter has described and analysed how these transformations were approached by the consumer co-operatives in Norway and the UK. The basic finding has been that while the British throughout the period covered were reluctant to accept the public devaluation of their role as a true consumer movement and continued to advocate the virtues of democratic participation by the members, the Norwegians were more inclined to accept a limited role and to focus on the economic, rather than the democratic participation of their members. Issues of consumer protection and membership participation were framed within a commercialised logic and developed in direct relation to the day-to-day business operations of the movement. In the UK by contrast, the consumer protection and democratic aspects of the organisation tended to be debated and advocated fully detached from the commercial activities.

The actual effects of these differences in terms of survival and overall development can not easily be determined. Generally, however, the findings add to the impression that whereas the Norwegian co-operators succeeded in developing their operations according to a quite coherent and focused strategy, the British approach remained fragmented and lacked a simple, overall plan. Furthermore it seems clear that the more commercialised attitudes and strategies advocated by Norwegian co-operators gave them an advantage both economically and in terms of membership support. For most influential Norwegian co-operators consumer politics soon became a means to the end of strengthening the movement's commercial performance. While some British co-operators may have held a similar view, others continued to promote broader goals of societal

⁷⁸² 'Contemporary Cooperative Democracy', *Review of International Co-operation*, 62:3 (1969), 127.

transformation and the need to advocate consumer protection as a parallel goal of the consumer co-operative enterprise. And while Norwegian co-operators generally took a more pragmatic stance on the traditional principles of democratic governance and were more willing to adapt the organisation to present-day commercial challenges, the British were more reluctant to abandon what they regarded as principle aspects of the co-operative alternative. Their unwillingness to accept alternative forms of consumer organisation such as the CA and their repeated, yet unsuccessful attempts to reinvigorate membership participation in the democratic decision-making process of the retail societies is indicative of this attitude. While this may have made the British movement more 'co-operative' in the traditional sense of the word, it hardly made their business operations more efficient and competitive. Neither did their idealistic, yet conservative attitudes manage to convince modern consumers of the attractiveness of joining the co-operative movement. In Norway, the formal democratic structures were kept intact and the consumer's political role was upheld primarily by advocating general principles of fair trade, an environmentally sound business operation, healthy eating and so forth. Basic features of the co-operative model were kept intact, but they were adapted and used more strategically in the day-to-day struggle to secure competitiveness and market progress.

A similar impression is created when looking closer at how the Norwegians approached the challenge of reinvigorating the economic advantages of co-operation. Alongside the challenge to restate their role as political consumer advocates and advance the democratic decision-making structure on which the co-operative alternative was built, societal and competitive development of the post-war years increasingly put into question the actual economic advantages of co-op membership. The attractiveness of the traditional dividend principle was under heavy scrutiny and in order to remain an attractive membership organisation the co-operative societies had to reinvigorate the economic advantages of being a co-op member. The following chapter investigates how this challenge was approached by the consumer co-operative movements in Norway and the UK.

Chapter 10: The economic advantages of consumer co-operation

While consumer co-operative enterprises were originally formed on the basis of a broad set of ideological foundations, for the members joining the organisation, the economic advantages offered soon gained prime importance. The principle of sharing the profits on the basis of each member's use implied that any member with a limited investment was liable to receive a regular repayment from their local co-op to supplement their household budget.⁷⁸³ This so-called dividend principle –or ‘the divi’ as it was commonly phrased in the UK – was the major economic advantage offered by the consumer co-operatives. The practice and importance of the dividend principle varied between societies and also between countries. But it remained a common feature for most retail co-operative societies and it is generally acknowledged that it attracted many members to join their local co-op.⁷⁸⁴

During the post-war years the dividend principle was put under pressure. The attitude was increasingly that the dividend had outlived its role. As standards of living rose, the actual economic rewards offered by the dividend were becoming more and more limited. And as discounted prices increased in importance as a competitive tool in food retailing, the co-operative principle of offering fair prices and a subsequent surplus distribution was gradually deemed less attractive.

This increasing questioning of the dividend implied that yet another fundamental feature of the consumer co-operative enterprise was put under pressure. The principle idea behind the divi was that surplus produced in the co-operative enterprise was not to be retained by a few capital owners, but rather distributed to the members on the basis of their use of the enterprise. When this principle lost its appeal among the general consumer and was increasingly abandoned altogether by many co-ops, yet another fundamental feature of the co-operative alternative was about to be lost. Hence, not only were the co-op's consumer protective role and its democratic decision-making procedures losing legitimacy and attractiveness. Its fundamental and distinctive principle of sharing the profits on the basis of use was also about to lose its long-held appeal.

⁷⁸³ Typically on a yearly or half yearly basis.

⁷⁸⁴ See for example P. Gurney, *Co-operative culture and the politics of consumption in England, 1870-1930* (Manchester: Manchester University Press, 1996).

Consequently, another major challenge for the co-operative enterprises of the post-war years was how to deal with this challenge. Should the dividend principle be defended, and if so, how should it be defended? If the divi was to strengthen its appeal among the post-war affluent consumers it had to be made more relevant and economically attractive. The major theme of this chapter is how this challenge was approached by the consumer co-operatives in Norway and the UK. It investigates how the two movements dealt with the declining appeal of the dividend principle and explores the different steps taken to redeem the situation.

The origin and development of the dividend principle

Historically, the major economic advantage offered by co-op membership was the dividend on purchase. The 'divi', or 'buyers profit' as was the Norwegian phrase, had played an important role in most early co-operative endeavours.⁷⁸⁵ Hence, the twenty-second of the original thirty-four rules of the Rochdale society stated that: 'the amount of profits realized by the society ... shall be divided thus; - interest at the rate of 3 ½ per cent, per annum shall be paid upon all shares paid up previous to the quarter's commencement; *the remaining profits shall be paid to each member in proportion to the amount of money expended at the store.*'⁷⁸⁶ The principle of the divi was not invented by the Rochdale pioneers. But the rules of the society formed the basis for the formation of numerous co-operative societies around Western Europe. And the principle of dividend on purchase soon materialised as a defining feature of the co-operative organisational form per se.

The principle of the divi was originally an important means for attracting trade. It also worked as a savings tool for many members. For the societies, retained dividend was an important source of capital. Finally, as a specific principle of profit distribution, the dividend on purchase was regarded as a more just model than dividend on capital. Hence, the divi principle worked as a signalling device, demarcating the co-op morally from private business. By serving all these different functions, the dividend played an important part in the expansion of co-operative trade in the nineteenth and early twentieth century. As was remarked by B. T. Parry of the Blackburn Co-operative Society in a 1963 article in the British co-operative journal *Agenda*: 'it must be conceded that the dividend was a major factor in the success of nineteenth and early twentieth century co-operative effort'.⁷⁸⁷

⁷⁸⁵ In Norwegian, 'kjøpsutbytte'.

⁷⁸⁶ *Laws and Objects of the Rochdale Society of Equitable Pioneers* (Rochdale: Jesse Hall, 1844), (emphasis added).

⁷⁸⁷ B. T. Parry, 'The dividends of change', *Agenda*, September (1963), p. 5.

From the post-war years onwards the relevance and viability of the divi was, however, increasingly questioned. True, in Britain the practice and principle of the dividend had been repeatedly discussed also in the years preceding the war. Already the eighth Co-operative Congress in Glasgow, held in 1876, had sparked a lengthy discussion on 'The policy of paying high dividends'.⁷⁸⁸ Similar discussions were repeatedly initiated at co-operative congresses in the following years. Hence, as was noted by J. A. Hough in his 1936 study of the co-operative dividend 'the question of surpluses and dividends is one that has been giving the Co-operative Movement a great deal of concern, almost from the time that it began to make headway based on the "Rochdale Plan"'.⁷⁸⁹ Still, as Hough continued, 'during very recent years ... and more particularly during the last two or three years the question has come into prominence more than ever before'.⁷⁹⁰

There were several reasons behind this increased, critical questioning of the dividend on purchase principle. The most prominent was an increased attendance to reduced prices as the prime advantage for consumers. As Hough noted in his 1936 study, 'it is becoming increasingly urged that any benefit resulting from co-operative trading should be passed on to the purchaser through lower prices rather than through high dividends'.⁷⁹¹ Developments in the post-war years further added to this notion. The rise of the multiple retailers increased the competitive pressures on prices. Discounting became a more widely adopted competitive strategy and price conscious consumers started to question the actual savings the co-op dividend offered. The problem was reinforced by societies – pressured by the increasing competition – who failed to produce the necessary profit to keep dividend rates at an acceptable level. Post-war price policies also pushed trading margins downwards, reducing the overall profit on which dividends should be paid. Further adding to this development was the improved living standards of the post-war years. Increasing affluence simply decreased the importance of the divi in the day-to-day household economy of the co-op members. As income levels rose and prices fell the average consumer was provided with much more leverage in their daily spending. As the British retail researcher Leigh Sparks has noted, consumers were 'no longer forced to spend every last penny to survive or to eat, to be warm and clothed, but rather ... [got] real discretion in their spending'.⁷⁹² The end result was that the divi was becoming less attractive as a competitive tool. The situation was

⁷⁸⁸ J. A. Hough, *Dividend on Co-operative Purchases. A study of dividend on purchases as element in co-operative trading with special reference to the British consumers' co-operative movement* (Manchester: Co-operative Union Ltd, 1936), p. 20.

⁷⁸⁹ *Ibid.*, p. 29.

⁷⁹⁰ *Ibid.*, p. 30.

⁷⁹¹ *Ibid.*

⁷⁹² L. Sparks, 'Consumer co-operation in the United Kingdom 1945-1993: Review – and Prospects', *Journal of Co-operative Studies* 79 (1994), 5.

clearly summarised in a 1962 *Review of International Cooperation* article on the problems experienced by the co-operative movement in recreating an appealing image:

To some extent the *dividend* used to provide the impetus ... But the symbol has been tarnished and has lost its magnetism. This is partly because in most cases dividends are so low, that they no longer make much of a difference to the consumer's budget. Even more it is because of the prevalence of competitive price cutting among the newer forms of retailing ... and the resulting growth of price-conscious consumers.⁷⁹³

The question was how the Norwegian and British co-operators should approach this development. Again it turned out that the strategic choices taken pushed the two movements in different directions.

UK: The divi under scrutiny

In the UK co-operative movement the increasing pressure on the viability and relevance of the dividend spurred major debate. Already in the years preceding the war the actual payment of a dividend to members had started to decline. The attractiveness of the traditional dividend on purchase among post-war consumers was also starting to be questioned. It was an increasingly held view among retail societies that something had to be done with how the dividend principle was practised. As a consequence, throughout the post-war period numerous alternative forms of profit distribution to that of the traditional dividend on purchase were suggested and introduced.

In 1954 the Central Executive of the Co-operative Union submitted a report to the congress on dividend policy, basically recommending that the traditional policy of a flat rate of dividend on purchases should be reiterated. The recommendations were the direct result of retail societies starting to experiment with alternative forms of dividend payment. One of the first such alternatives had been to offer differential rates of dividend. This practise typically implied that the less profitable types of trade were provided with no dividend while larger dividends were paid on the more profitable types. The Co-op Union remained sceptical to such practises, something which the 1954 recommendation clearly testifies. But the local experiments could not be stopped. And in the following years, more societies started to abandon the practice of flat dividend. More radical types of dividend replacements were also initiated and explored. One was to abolish dividend altogether, typically in selected stores, and instead offer price cuts or an 'instant

⁷⁹³ L. Stettner. 'The consumer and the cooperative image' *Review of International Cooperation*, 55:12 (1962), p. 308 (emphasis in original).

dividend' as it was often called. The major objective was to compete better and more directly with the price levels of the multiple stores.

The first society experimenting with such a strategy was the Hetton Downs Co-operative Society. In 1960 they opened the first co-operative store in the country not offering a dividend.⁷⁹⁴ Competition was strengthening and retailers were increasingly seeking to attract trade by offering price cuts. The idea of the Hetton general manager David Hughes was to compete directly with these retailers by opening one store providing cut prices only and 'no Credit, Delivery or Dividend'.⁷⁹⁵ The store was an immediate success. As was recalled in retrospect by Hughes: 'the trade built up minute by minute, people were queuing to get into the shop, and buses stopped outside to produce customers from Murton, Easington, Houghton and other districts. In the first *three days* the sales were equal to the previous *three months*.'⁷⁹⁶

The success of the Hetton branch made other societies follow suit. Soon, non-dividend stores had been established in places such as Leicester, Dartford and Norwich.⁷⁹⁷ Substantial variation developed, however, in terms of how the non-dividend principle was practised. Hence, the Hetton Downs Society gradually introduced a principle where the dividend on food was abolished altogether while it was doubled on non-food.⁷⁹⁸ Other societies would open non-dividend subsidiaries such as discount stores, garages and car show rooms and use the net surplus to supplement the dividend in food.

The numerous experiments stimulated major debate in the movement. On the one hand there were those who fully defended the continued advantages of the divi. In his presidential address to the 1961 Co-op Union Congress, J. H. Jaques for example argued that, while he was supportive of the practice of operating non-dividend subsidiaries and using the net yield to supplement the general dividend paid by the society, dividend levels had to be sustained at an acceptable level. The principle was, according to Jaques, still a major attractor of trade, and it also distinguished the co-op from other traders:

The return of profits to customers by way of dividend upon purchase is the only thing the Movement can do that its competitors cannot do. They might indeed make a return to customers by way of imitation, but they are in the business to make a profit for their shareholders, not a surplus for their customers. Dividend is the movement's greatest attraction and subject to satisfactory service and

⁷⁹⁴ For a lively description, see D. Hughes, *A Journey to Remember* (Durham: County Durham Books, 2000), pp. 95-9.

⁷⁹⁵ *Ibid.*, p. 96

⁷⁹⁶ *Ibid.*, p. 97.

⁷⁹⁷ See Co-operative Union Ltd, *Report of the 93rd Annual Co-operative Congress in the Winter Gardens Blackpool June 11th, 12th, 13th and 14th, 1962*, (Manchester: Co-operative Union Ltd., 1962), p. 301.

⁷⁹⁸ D. Hughes, *A Journey to Remember* (Durham: County Durham Books, 2000), p. 98.

reasonable prices a society's efficiency in the public mind is measured by the rate of dividend it pays.⁷⁹⁹

At the Blackpool congress a year later, the dividend was again the subject of major debate. Some supported the development taking place arguing that 'an important element in the future trading development of the movement will be the Co-operative Store offering benefits in the form of lower prices rather than a dividend on purchase'⁸⁰⁰ But it turned out that the majority of the congress representatives were reluctant to accept such a development. Many still believed that the members wanted the dividend and not discounted prices. Some also argued that the substitution of the dividend with price cuts would simply be an 'escape route for inefficiency'.⁸⁰¹ Finally, several representatives pointed to how the abandonment of the divi would imply losing one of the most defining features of the co-op as an alternative business organisation. As was stated by A. S. Shelton of the Nottingham Co-operative Society:

What is our main purpose? To become mere trading organisations with an approach not differing from that of our competitors? There is a very big difference between us in what happens to profits, and if that difference is not maintained we might just as well pack up. We do not pay interest on shares arising out of our profits and [sic] our competitors do; they pay their shareholders. You have every one of you undertaken to carry out the principles of the Co-operative Movement, and an inherent principle is that when you have done all you can efficiently you hand over your surplus to your members.⁸⁰²

Despite the many principle objections raised by congress, throughout the 1960s more and more societies abandoned, either partly or fully, the principle of paying dividend. A study conducted by Ted Stephenson for the Co-operative Union and published in 1966 showed that close to 50 per cent of the societies had stopped paying full dividend on all sales. 10 per cent of the societies in the sample had experimented with non-dividend stores. Not only were societies abandoning the divi, they replaced it with numerous alternative forms of surplus distribution. Hence, from a situation where all co-operative societies embraced the principle of dividend on surplus, an abundance of different methods started to develop. A review of Stephenson's study, presented in the *Co-operative Review*, concluded that while many different experiments had been made, 'no one pattern of divergence from pooled dividend is finding general favour'.⁸⁰³ Indeed, so many

⁷⁹⁹ Co-operative Union Ltd, *Report of the 92nd Annual Co-operative Congress in the Spa Grand Hall Scarborough May 22nd-25th, 1961*, (Manchester: Co-operative Union Ltd., 1961), p. 236.

⁸⁰⁰ Co-operative Union Ltd, *Report of the 93rd Annual Co-operative Congress in the Winter Gardens Blackpool June 11th, 12th, 13th and 14th, 1962*, (Manchester: Co-operative Union Ltd., 1962), p. 302.

⁸⁰¹ *Ibid.*, p. 303.

⁸⁰² *Ibid.*, p. 306.

⁸⁰³ H. L. J., 'Aspects of dividend', *Co-operative Review*, 40:3 (1966), 4.

different experiments had been made that the reviewer found reason to remind the readers that 'it remains true that the most fruitful objective of co-operative endeavour is to increase the surplus rather than to play about with its distribution.'⁸⁰⁴

At this point societies had also already started experimenting with a third main type of alternative dividend payment, namely that of stamp trading. Trading stamps was originally a sales promotional technique developed by American retailers to increase customer loyalty. The scheme basically consisted of small paper coupons, or stamps, that were handed out to the consumers whenever they made a purchase. The stamps had no value individually, but they could be collected in specific stamp books. Whenever the customer had managed to save up a certain number of stamps, they could be exchanged for different types of merchandise. The first of such schemes were adopted by American retailers as early as the late nineteenth century and their popularity exploded from the early 1900s onwards. Separate trading stamp companies developed with the sole purpose of organising the schemes. They offered stamps to retailers and held the merchandise that was to be distributed to the consumers in exchange for stamps.⁸⁰⁵

Throughout the 1960s similar schemes also started to be adopted by British retailers. They soon became popular among consumers. The question therefore soon arose of how the co-op movement was to deal with the practise of offering trading stamps. Initially, both the Co-operative Union and the Co-operative Wholesale Society (CWS) advised the societies against joining such schemes.⁸⁰⁶ It was believed that the system did not confer any benefit to the consumer that could not be secured more economically by other means and maintained that the co-op dividend remained the most economically beneficial for the shopper. As a method for distributing surplus, the stamp scheme was indeed a controversial one. As with the so-called 'instant dividend' system, which basically was nothing else than offering a discount, the trading stamp was essentially not a distribution of surplus. Similar to discounts, stamp offerings were made before the surplus had been recorded. It was, at best, a dividend in advance. As an editorial on the *Co-operative News* stated, writing sympathetically on the new system: 'Dividend stamps anticipate the traditional process'⁸⁰⁷ Understandably, much of the scepticism from the Union

⁸⁰⁴ *Ibid.*

⁸⁰⁵ For an account, see e.g. S. Strasser, *Satisfaction guaranteed. The making of the American mass market* (New York: Pantheon books, 1989), pp. 242-6. See also W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 333-5.

⁸⁰⁶ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 333-5.

⁸⁰⁷ 'Dividend Stamps', *Co-operative News* (30 March 1968), (emphasis in original)

towards the stamp scheme was related to how the system in practise was more of a sales gimmick than an alternative method of dividend payment.⁸⁰⁸

Despite the pronounced scepticism from the national federals, many retail societies were, however, keen to adopt the new system. Already by 1963, three retail societies had adopted stamp schemes and as Richardson put it: 'others were known to be considering the idea.'⁸⁰⁹ Slowly but surely the many sceptical attitudes also waned. Stamps were popular among the consumers and many societies were looking for a more cost efficient way of paying out their dividend. Pushed forward by retail societies urging it to adopt the system, the CWS gradually began to reconsider its view. At a CWS board meeting held on 6 March 1968 trading stamps were officially accepted as an alternative to the dividend by the CWS. True, the resolution bore the clear mark of being a compromise. The CWS still refrained from advocating the transfer to stamp trading, but they accepted the development of a uniform, national scheme for dividend stamps and making this scheme available on a national scale.⁸¹⁰

This national scheme was launched at the end of March. An initial order of no less than three million stamp books was sent to the web offset division of the co-operative press, while an order of 10,000 stamps was sent to specialist stamp printers.⁸¹¹ And even if the CWS did not actively advocate the scheme, the interest to join soon proved substantial. Less than a month after it had been announced, on 22 April, the Doncaster Society became the first retail society to join the scheme.⁸¹² On 1 May the Morely society followed.⁸¹³ From 6 May the South East Lancashire region of the Co-operative retail services (CRS) also took on the system offered by the CWS. By mid-July, five CRS branches and yet another six retail societies had put the scheme into operation.⁸¹⁴ From then on, the interest exploded. Alternative schemes to that of the CWS were also developed and by 1974 close to 82 per cent of total dividends distributed were by the means of stamps.⁸¹⁵ The height of the scheme was reached a year later when stamps accounted for £ 30 million, or 87 per cent of all dividends.⁸¹⁶ By now societies representing more than 90 per cent of the movement's total trade were giving stamps.⁸¹⁷

⁸⁰⁸ See 'Union and C.W.S meet on dividend stamps', *Co-operative News* (20 April 1968)

⁸⁰⁹ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 333.

⁸¹⁰ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977).

⁸¹¹ 'Divi stamp Books: 3,000,000 launch. Huge print order for new scheme', *Co-operative News* (30 March 1968).

⁸¹² 'Movement on brink of "divi" switch', *Co-operative News* (6 April 1968).

⁸¹³ 'Gearing up for dividend stamp scheme', *Co-operative News* (6 April 1968).

⁸¹⁴ 'Divi Schemes – national or local?', *Co-operative News* (13 July 1968).

⁸¹⁵ Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, 1974), p. 2.

⁸¹⁶ B. Cross, 'They still take some licking!', *Co-operative Marketing and Management*, 10:9 (1985), 7-9

⁸¹⁷ W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), p. 335.

As it turned out, however, while the adoption of stamp trading was substantial, it did little to address the problems it was meant to solve. As we have seen earlier, apart from a short period of consolidation in the mid-1970s, market share and profitability continued to fall throughout the 1960s and 1970s. The stamps did not manage to attract the support of new members. On the contrary, membership, officially having been in decline from 1964 onwards, continued to fall. And while stamps had been introduced as a more modern scheme of securing membership support, there are reasons to believe that it rather had the effect of further reducing the attractiveness of membership. At least this was what the statisticians at the Co-operative Union argued when they, in the report of the 1972 figures, noted the following: 'For the sixth consecutive year membership fell ... To some extent the continued decline is due to the growing number of societies changing over to dividend stamps.'⁸¹⁸ As was also later argued by N. C. Wijayarathna of the Co-operative College, while the dividend stamps had been valuable as a 'promotional device and an effective method of distributing the small surpluses available', they did not attract any new members.⁸¹⁹

Gradually there was increasing doubt about the actual advantages of stamp trading. It evidently did not provide the co-ops with more trade. Nor did it increase the level of membership. The most substantial blow to the trading stamp system came, however, in 1977 when major competitor Tesco decided to abandon their trading stamp scheme and replace it with substantial price reductions.⁸²⁰ The stamp scheme offered by Tesco had been a costly one and when it was abandoned substantial price-cuts could be made. The move meant a further tightening of the competitive knot. Gradually more and more retail co-operatives had to accept that the dividend stamp had not been the success they thought it would be and increasingly they started winding up the schemes altogether.

The end result of these developments was that by the beginning of the 1980s many societies neither offered cash dividend, nor dividend by way of stamps. Not only had the movement lost its position as the leading consumer organisation, but also its legitimacy as a truly democratic member's business. The economic advantages offered by co-operatives were also becoming less and less visible. It was increasingly the case that the co-op was not offering any

⁸¹⁸ Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, 1972), p. 2.

⁸¹⁹ N. C. Wijayarathna, 'Benefit schemes have to be sold', *Co-operative Marketing and Management*, 11:1 (1985), 32.

⁸²⁰ This process is thoroughly analysed by G. Akehurst, "'Checkout': The analysis of oligopolistic behaviour in the UK grocery retail market", *Services Industry Journal*, 4:2 (1984), 198-242. See also D. L. G. Smith and L. Sparks, 'The transformation of physical distribution in retailing: the example of Tesco plc', *International Review of Retail, Distribution and Consumer Research*, 3:1 (1993), 35-64 and D. Powell, *Counter revolution. The Tesco Story* (London: GraftonBooks, 1991), pp. 150-81.

advantages to the consumer that private (multiple or independent) retailers could not equally deliver.

UK: The return of 'the divi'

Through the course of the 1980s and 1990s numerous attempts were made to redeem this situation. Typically, this was done on the initiative of local retail societies who sought to come up with new types of schemes that offered their customers and members some form of economic advantage. But, while the creativity and enthusiasm among the retail co-ops was considerable, none of the schemes did much to differentiate the co-operative form of trading from other types of retailers. Moreover, as most initiatives were taken locally and coordination across society structures remained negligible, the end result was an abundance of different schemes and distribution principles. Hence, in 1988 the co-operative statistics could report a clear 'trend away from dividend stamps', while societies increasingly were offering 'a variety of member benefit schemes including monthly offers, dividend cards, shareholder cards – often on a differential basis'.⁸²¹ A few examples of this development may illustrate the point.

In an initial phase many retail societies, having abandoned stamps, sought to replace them with a new type of dividend in the form of a so-called 'membership benefit scheme'.⁸²² This was essentially a set of discount vouchers offered to co-op members only. Members were registered and issued with a plastic card. This entitled the holder to purchase certain special offers at a discount, as well as giving him or her discounts on a wide variety of goods and services offered by businesses and organisations other than the society in which they were members. The scheme was initially developed by the CWS but soon took many different forms as it was adopted on an individual basis by local retail societies.

In 1987 the Central Midlands Co-operative Society launched a customer card as an alternative to dividend stamps, which came to be known as the 'plus privilege card'.⁸²³ The card was offered to all customers, who were given the opportunity to collect a bonus on every transaction made with the society. The bonus paid was normally 1 per cent of the transaction value. Collected bonuses were paid every six months in the form of vouchers redeemable at the co-op stores where the bonus had been collected. Besides increasing overall customer loyalty, the

⁸²¹ Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, 1988), p. 1.

⁸²² For a short presentation, see N. C. Wijayarathna, 'Benefit schemes have to be sold', *Co-operative Marketing and Management*, 11:1 (1985), 32-4.

⁸²³ The following paragraph according to B. Jason, 'Customer needs in fine focus', *Retail Marketing and Management*, 19:4 (1993), 4-5.

principal commercial catch of the system was that when the customers returned to cash in on their bonus earnings, they would 'spend more than the value of the vouchers'.⁸²⁴

But again, as with trading stamps, this was a benefit scheme offered to all customers and not only to the co-op members. Therefore it did not provide enough of an impetus to attract new members. An attempt to solve some of these problems was made by the Barnsley region of the CRS when, at the 1988 Co-operative Congress in Brighton, they submitted the following proposal: 'Congress affirms that the essential elements of retail co-operation must include benefits for, and democratic participation of, the members who trade with the society. Congress recognises that there is a crucial need to reactivate and develop these essential elements in the retail societies'.⁸²⁵ One of the main suggestions propounded on these grounds was 'the re-introduction of a meaningful dividend to encourage trading and membership, such a dividend to be delivered by a means that is both economically realistic for the society and of real value to the member'.⁸²⁶ While the debate following the proposal indicated a substantial agreement with its main intentions, few were willing to accept anything but local solutions. And while there were many examples of quite successful and innovative schemes set-up to attract customer loyalty and increase membership, concerted action on behalf of the movement as a whole to develop schemes capable of offering all co-op members exclusive and genuine economic advantages largely failed to appear. Indeed, as was noted a few years later in the annual statistical report of the Co-op Union, 'individual society results reveal wide differences on policy'.⁸²⁷

The 1990s saw the further introduction of numerous different types of membership and customer benefits schemes. In 1989 the CRS trialled the introduction of a shareholder's card in two traditional departmental stores in Huddersfield and Swansea.⁸²⁸ By 1992 the card was offered in all CRS non-food stores. It recorded member purchase and dividends were credited to each members share account at the end of each financial year. The card was only offered to members holding a minimum £50 invested in their CRS share account. Later, the CRS extended the program by launching a 'Pioneer plus points card' in its new Pioneer food store in Cardiff. The scheme was based on a bonus and voucher system. After having collected 1,000 bonus points, customers holding a card would see a £10 voucher redeemed from their next shopping bill. The scheme was also later to be launched in other CRS Pioneer stores.

⁸²⁴ *Ibid.*, 5.

⁸²⁵ Co-operative Union Ltd, *The 119th Annual Congress of the Co-operative Union Ltd. held in the Brighton Metropole Hotel, from May 29 to 31, 1988* (Manchester: Co-operative Union Ltd, 1988), p. 28.

⁸²⁶ *Ibid.*

⁸²⁷ Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, 1990/1991), p. 2.

⁸²⁸ The following paragraph is based on F. Dent, 'Shareholder card's £22.9m success', *Retail Marketing and Management*, 20:12 (1995), 4-5.

By now, the West Midlands Co-operative Society had launched its own 'privilege loyalty club'.⁸²⁹ The scheme provided members with access to a voucher dispensing unit situated at the entrance of the store. By inserting the membership card, customers were yielded four offer vouchers that could be used in the store. Commenting on the introduction of the scheme to the *Retail Marketing and Management* journal, service controller in the West Midlands Society David Pinton noted how the society had 'been looking for ways to determine the Co-op difference and to reward membership' and that 'the Privilege shopper scheme ... provided the vehicle to do this'. According to Pinton, the scheme had 'a dual value – it can be used as a Member benefit and as part of a marketing campaign for the Food Division'.⁸³⁰

A final example may be provided by the smaller Chelmsford Star Co-operative Society who launched their own retail loyalty scheme – the so-called 'starcards' – in all their twenty-seven retail and service outlets.⁸³¹ This system was based on the 'smart-card' technology and the society claimed to be the first retailer to have adapted the technology to a loyalty scheme. The system rewarded the card owner with a dividend on every £5 spent in a single transaction. Earned dividend could be spent in any of the society's outlets.

While all these different projects were largely reported as having a positive effect on customer and membership loyalty, they were all based on very different logics and procedures. Some schemes provided payment in cash, others in vouchers. Some schemes were provided to members only, while others were offered to all customers irrespective of co-op membership. Finally, some of the card schemes were based on magnetic stripe technology; others adopted the smart card system. A further problem was that none of the schemes managed to capture the specific co-operative character of the enterprise offering them. It simply remained unclear to what extent the schemes represented an actual distribution of surplus on the basis of purchase, as envisaged in the co-op principles or if they were in fact sales promotional tools to be recorded as marketing expenses. As noted by Co-op Union statistician P. Roscoe, many co-operators tended to regard the different schemes 'not as a distribution but as a sales promotional tool' and different types of customer incentives programmes thus tended to be 'lumped together with "true dividend"'.⁸³² The varied and fragmented character of the approach was also reflected in substantial confusion among the co-operative statisticians on how to report the different schemes. As was noted in the Co-op Union statistical report from the financial year 1994/1995:

⁸²⁹ 'Building powerful customer links', *Retail Marketing and Management*, 20:1 (1994), 4-5.

⁸³⁰ *Ibid.*

⁸³¹ See 'Chelmsford launches new hi-tech "divi" system for members', *Co-operative News* (18 April 1995).

⁸³² P. Roscoe, 'The British Consumer Co-operative Movement', *Yearbook of Co-operative Enterprise* (1992), 193.

following confusion in recent years concerning the various methods of presentation of customer benefits – associated with societies’ typically fragmented approach to the issue – it was decided that, for Co-operative statistical presentation, only dividend where the rate is dependent upon the level of surplus for the year will be shown as a distribution of that surplus. All other schemes where the rates are predetermined, and which might be construed as discounts, will be shown as trading expenses. An analysis of all customer benefits continues to be displayed, however, in order to positively identify the “Co-operative difference”.⁸³³

Frustration and fragmentation was indeed widespread surrounding the approach to the subject of customer benefits. An attempt to deal with the issue was made by the south-east retail branch of the CWS when, at the 1995 Congress, it moved a special resolution calling all societies to return to the practise of paying direct financial dividends to members in proportion of purchases made.⁸³⁴ The plea was repeated at congress a year later when two separate resolutions were submitted specifically stressing the importance of bringing back the traditional dividend.⁸³⁵

As an attempt to take on this challenge, the CWS in the autumn of 1995 launched a trial swipe-card traditional divi scheme in nine stores in Scotland and South-East England.⁸³⁶ In the spring of 1996 the scheme was extended to all stores in Northern Ireland. In 1997 it was introduced in Scotland and by 1998 it had been launched in all CWS regions.⁸³⁷ Initially, cardholders were offered a five per cent dividend on the full co-op brand range, while non co-op brands were not included. Later a ‘3 and 1’ principle’ was introduced where card holders received 3 per cent dividend on co-op brand and 1 per cent on all other groceries.⁸³⁸ Payments were made to cardholders twice a year. Alongside the individual re-payments, the system also embraced a community dividend scheme. All divi repayments were made in pounds only. Any odd pence on the entitlement could either be forwarded to the next payment or donated to the community dividend programme. The cash raised by the programme was again donated to different types of community projects.

The new CWS dividend scheme was an immediate success. In Northern Ireland only, more than 80,000 cardholders were registered in the first two weeks of operation.⁸³⁹ By the end of 1996 close to 140,000, or about one-in-four families in the whole of Northern Ireland held a

⁸³³ Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, 1994/1995), p. 2.

⁸³⁴ ‘Call to bring back the divi’, *Co-operative News* (6 June 1995). See also ‘Shoppers’ save our “divi” please’, *Co-operative News* (1 August 1995).

⁸³⁵ ‘Variety of motions for Harrogate. Bring back co-op divi, congress to be urged’, *Co-operative News* (2 April 1996).

⁸³⁶ The stores were placed in Addlestone, Heathfield, Shotts, Oban, Dalry, Larkhall, Beith, Stonehouse and Galston, see ‘Pilot schemes in selected stores. Divi card takes off’, *Co-operative News* (24 October 1995).

⁸³⁷ These regions were the North Eastern and Cumbria, Greater Nottingham, the South Midlands and the South East, see Co-operative Wholesale Society Ltd, *Annual Report 1998*, p. 12-13.

⁸³⁸ The Co-operative Group, *Annual report & accounts 2002*, p. 26.

⁸³⁹ ‘Divi card comes up trumps’, *Co-operative News* (11 June 1996).

CWS dividend card.⁸⁴⁰ In Scotland, 34,000 people signed up for the card in the first three months. At the half-year re-payment point in the summer of 1997, a total of £25 million was handed out to cardholders. In addition £90,000 was handed over to the community dividend programme.⁸⁴¹

While the figures were repeatedly celebrated in the co-operative press, the scheme adopted by the CWS, as well as most other schemes adopted by the smaller retail societies still failed to fully embrace the true principles of the co-operative dividend. Most importantly, under most schemes, non-members could also hold dividend cards. As was noted by a 2003 study into co-operative membership: 'In the 1990s, in response to other supermarket loyalty cards, "dividend cards" were introduced but again these were often available to all customers rather than just the members.'⁸⁴² Rather than a specific co-operative endeavour offering a true membership benefit, the dividend card was thus primarily a customer benefit card. Further, as in the case of the CWS scheme, the repayment made was not a true distribution of the full surplus. The rate was declared in advance and estimated from the purchase of a selected group of products. As remarked in the CWS *Annual report and accounts* for the year 2001: 'popular though the Dividend Card is, it is not a true dividend, in that the rate is declared in advance and it is therefore not a distribution. In addition, it only applies to food purchases.'⁸⁴³

Still, the introduction of the CWS dividend card, as well as similar loyalty schemes, managed to give a new boost to co-operative membership. After declining figures throughout the post-war period, which stabilised in the 1980s and early 1990s, a period of renewed growth started from 1995 onwards. While the figures are difficult to interpret, the official statistics show a quite considerable increase in the number of members.⁸⁴⁴ There are also clear indications that this growth was closely related to the reinvigorated membership schemes of the second half of the 1990s. As the statisticians at the Co-operative Union explained, commenting on the

⁸⁴⁰ 'Divi days are here again', *Co-operative News* (25 March 1997).

⁸⁴¹ 'Shoppers cash in on £2.5m dividend windfall', *Co-operative News* (29 July 1997).

⁸⁴² M. Wilson and T. Woodin, 'Recruiting and developing active members in co-operatives', in M. Wilson, T. Woodin, R. Simmons and J. Birchall, *Getting Involved. Studies of member participation in co-operatives across the West Midlands* (Manchester: The Co-operative College, 2003), p. 3.

⁸⁴³ The Co-operative Group, *Annual report & accounts 2001*, p. 9.

⁸⁴⁴ If we are to believe the figures, in the period from 1993 to 2002 an approximate average of 170,000 people joined the movement every year, causing the first substantial rise in membership since the mid-1960s. If we are, however, to believe a large co-operative study – the so called Co-operative Commission – published in 2001, noting that 'current estimates of membership ... is a substantial over estimate', and that 'the true membership figure may be less than 2 million', the figures reported in the statistics seem unlikely (The Co-operative Commission, *The co-operative advantage. Creating a successful family of co-operative businesses* (Manchester: The Co-operative Commission, 2001), p. 41). If they were accurate, they would indicate that the co-op movement hardly had any members in 1993. What probably is correct is that there was a rise in membership during the 1990s, but that it was less spectacular than the statistics indicate. See also chapter one in the present thesis for a discussion on the accuracy of the British membership figures

1998/1999 co-op statistics: 'Membership increased by a further 188,000, again influenced by the introduction of new dividend schemes and loyalty chards.'⁸⁴⁵

It thus generally seems that in the last half of the 1990s, the UK movement managed to re-establish some popular confidence in the ability of the co-op to create true economic advantages for the general consumer. The rise in membership, however, failed to address the problems of market decline hampering the movement throughout the post-war period. The types of loyalty schemes adopted were also largely unsuited to clarifying how co-operative societies offered an alternative approach to food retailing. Most of the schemes adopted were very similar to those of the multiple retailers. Moreover, the different societies' schemes were based on very different practical solutions, thus failing to create a unified image across society structures. The schemes therefore added to the fragmented nature of the movement, as seen both in the development of store formats and in the overall organisational structure of the movement.

Reinvigorating the divi: The Norwegian case

The dividend was a hotly discussed issue among British co-operators in the immediate post-war years. Internationally, the co-op movement also held principle discussions on the practice of repaying surplus on the basis of purchase. As was noted in a 1951 article in the *Review of International Co-operation*: 'Debates on the price and dividend policy are a recurrent phenomenon in the co-operative movement. In times of economic change especially it comes up for review and it is not surprising, therefore, that lately the co-operative press in several countries has again taken up this subject.'⁸⁴⁶

This general diagnosis was, however, not representative for the situation in Norway. Sure, some remarks were made once in a while by Norwegian co-operators on the problems created when societies paid out a too substantial dividend. And the National Co-operative Association (NKL) consistently urged societies to give priority to modernisation and expansion of the co-operative stores, rather than substantial dividend payments. But no suggestions were made on the possibility of substituting the dividend with reduced prices or otherwise altering the principle of dividend payment. The reasons for this were numerous.

First, as opposed to the British movement, payment of a dividend had never attracted the same attention and importance in Norway. Historically, the British were renowned for a

⁸⁴⁵ Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, 1998/1999), p. 1

⁸⁴⁶ V. N, 'Still topical: dividend policy!', *Review of International Co-operation* 44:4 (1951), 83.

particularly strong attachment to the dividend principle as well as for their generous divi levels.⁸⁴⁷ In Norway by contrast, payment of the divi seems generally to have remained at a stable, yet fairly limited level. At its peak level in 1935, the average rate of dividend reached 3 per cent of turnover.⁸⁴⁸ In 1950 it was 1.4 per cent. By comparison, the median payment in the UK co-ops in 1932 was nine per cent. By 1950, the overall average was 6.6 per cent.⁸⁴⁹ The size and importance of the dividend was simply much less pronounced in Norway and this may help explain why the principle was so seldom debated, at least compared to the many heated debates seen in Britain.

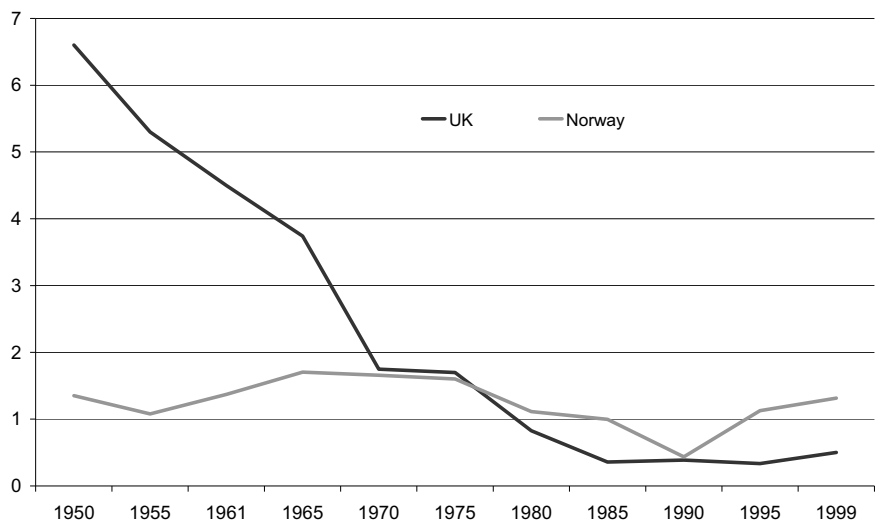
Another reason may be the fact that the Norwegian movement simply did not experience the same problems in keeping up dividend levels as the British did. The co-ops continued to produce stable profits and surplus for distribution was thus readily available. Apart from a reduction during the war, there was simply no downward trend in dividend payments to be worried about. In fact, after a temporary low had been reached in 1955, the average payment of dividend in relation to turnover slowly started to increase. And as the below figures show, by the mid-1970s the Norwegians had in fact passed the British in average dividend payments.

⁸⁴⁷ As was remarked in a 1951 article in the *Review of International Co-operation*: 'in Europe ... the dividend has never acquired the importance it has in Britain. ... Although dividends in Great Britain have come down in the course of years, the resistance to losing this buying incentive and savings device is still very great'. (V. N, 'Still topical: dividend policy!', *Review of International Co-operation* 44:4 (1951), 83).

⁸⁴⁸ This is still the highest rate recorded by the Norwegian co-ops. Figures are estimated from Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁸⁴⁹ Note that the median and the overall average are not fully comparable estimates. They still reflect the general trend fairly accurate. Figures are estimated from J. A. Hough, *Dividend on Co-operative Purchases. A study of dividend on purchases as element in co-operative trading with special reference to the British consumers' co-operative movement* (Manchester: Co-operative Union Ltd, 1936), p. 82 and Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, 1950). In 1932, the majority of societies paid an average dividend of between one shilling, six and a quarter pennies to two shillings in the pound, which roughly represents a median divi rate of 9 per cent.

Figure 10.1: Average dividend in per cent of turnover, British and Norwegian consumer co-operatives, 1950-1999⁸⁵⁰



A final factor that needs to be considered is the competitive situation in the Norwegian food retail market. As we have repeatedly seen, Norwegian private retailers long refrained from implementing the principles of chain store organisations. The structure of the food retail industry remained fragmented and the market situation of the co-ops was not seriously threatened before the 1970s, at the earliest. Discounting as a competitive tool also remained of limited importance throughout this period and the principle discussion of whether consumers preferred low prices or dividend was thus never seriously raised. Nor did the private food retailers introduce alternative forms of consumer loyalty schemes, such as trading stamps.

The general impression is that the dividend on purchase was a principle adopted in a limited yet stable fashion by the Norwegian co-operative retail societies throughout the immediate post-war years. While its importance for the consumer may have gradually declined as general income levels grew, the dividend continued to form a natural part of co-operative trading and the viability of the principle was never really questioned.

The 1980s saw a temporary halt to this stable trend. As the above figure shows, average dividend levels were more than halved during this decade. And behind the average figures,

⁸⁵⁰ Figures estimated from Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, selected years) and Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

substantial variations in the practise of paying the dividend were also revealed. In 1988 it was reported that out of a total 506 societies only 191 were actually paying their members a dividend.⁸⁵¹ Two years later, retail societies' divi reached a record low, at 0.4 per cent of total turnover.

This development was largely caused by the weakened economic situation of co-operative trade during the eighties. As we recall from previous chapters, the early eighties had seen a substantial weakening in both market share and profits. From a record 26 per cent in 1976, by 1984 market share was down to 23 per cent. During the same period, the number of local co-operatives running into deficits more than doubled and average profits among the retail societies ended at a negligible 0.9 per cent of total turnover.⁸⁵² While market share soon stabilised, by the end of the decade average profits continued to fall. Indeed, in 1987 the NKL ran a deficit for the first time in the history of the organisation.⁸⁵³ And even if the number of societies running a deficit had been reduced since the early 1980s, the total amount of losses were rising dramatically, reaching a peak of 164 million NOK in 1988.⁸⁵⁴ In the same year, average surplus within the local co-operatives reached a historic low, at 0.3 per cent of total turnover.⁸⁵⁵ Actual surplus available for distribution was consequently very limited.

The decline in dividend levels during the 1980s did also reflect how the new NKL management and particularly the CEO Knut Værdal, were increasingly reluctant to advise societies to treat members differently from other customers. It was believed that this would limit the possibilities of expansion into new markets. The dominant attitude was rather to develop co-operative businesses along similar lines as private retailers and to play down the principle differences distinguishing the co-operative form of enterprise from other organisational forms. The decline in dividend levels was thus largely a sought after development, or at least, it did not cause any major worry among the leading NKL managers. It is revealing that neither dividend payments nor membership figures were reported in the NKL annual reports during this period.

The coming of the 1990s was, however, to completely reverse this trend. As we have seen earlier, the late 1980s had seen another change of leadership in the NKL, subsequently leading to major strategic reorientations. Led by the new CEO, Rolf Rønning, the NKL had pushed ahead with a full reorganisation in the structures of co-operative retail stores and they gradually

⁸⁵¹ Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

⁸⁵² See chapter five in the present thesis.

⁸⁵³ NKL, *Annual Report 1987*.

⁸⁵⁴ K4, 3A.2, Document presented at the NKL board meeting, 'S-lagene 1989', 6 July 1990; K4.3A.1, Document presented at the NKL board meeting, 'Tapssituasjonen i S-lagene. Tiltak for å redusere NKLS tap på krav', 24 May 1989.

⁸⁵⁵ All figures estimated from Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006).

developed the co-operative system of distribution into a fully integrated, standardised and centralised model.⁸⁵⁶ Alongside these reforms, however, the NKL management also initiated substantial changes in how the movement approached its members. Most prominently, the economic advantage of the dividend was re-launched and actively marketed as a distinctive co-operative feature. Hence, after membership and co-operative distinctiveness had been deliberately neglected during the 1980s, it was now to be given a prime role. As the 1991 NKL *Annual Report* stated: ‘The consumer co-operative movement is a membership organisation where the economic surplus is redistributed to the members. This is the co-operative movement’s distinctive character. The strategy for the 90s is to make this distinctiveness more visible and to exploit it as a competitive tool.’⁸⁵⁷

With this major goal as an overall guidance, the movement set in motion a complete revision of its membership scheme, focusing more or less exclusively on the economic advantages of being a co-operator. The dividend was given a prime role in this process. It was explicitly stated as the primary advantage of co-operative membership and a common goal was agreed that the co-operative societies within a five year period should produce a joint average dividend of 3 per cent on all purchases. Moreover, as the first retailer in Norway and three years before Tesco launched its Clubcard, an electronic membership card was issued for all co-operative members in 1991. In 1994 the scheme was made national, enabling the collection of dividend in all co-operative stores across the country. The ultimate result of these strategic changes, as revealed by the above figures, was that the decline in dividend payments seen through the late 1970s and 1980s was reversed.

The electronic membership card also facilitated the simple collection of a diverse set of economic membership advantages other than dividend, such as special rebates and offers issued for members only. Various discount schemes were also negotiated with external suppliers of goods and services that the co-ops themselves didn’t offer. Hence, rebates on such diverse products and services as petrol, hotel stays, clothing, telephone services and talking books were offered to all members holding a co-op membership card. In 2000 such membership rebates totalled more than NOK 70 million, equal to £ 5.5 million. This implied that 16 per cent of total membership advantages were in the form of such rebates.⁸⁵⁸

The strategic reorientation of the 1990s cleared the ground for a remarkable strengthening of co-operative membership. In the period from 1990 to 2002 membership more

⁸⁵⁶ See especially chapter five and chapter eight in the present thesis.

⁸⁵⁷ Norges Kooperative Landsforening, *Annual Report 1990*, p. 16.

⁸⁵⁸ Norges Kooperative Landsforening, *Annual Report 2000*, p. 43.

than doubled, from 400,000 to 920,000. This implied that twenty per cent of the population or close to half of the total number of Norwegian households, held a co-operative membership.⁸⁵⁹ True, the drastic rise in membership did not result in a corresponding growth in market share. As we recall, market share figures remained fairly stable at 24-25 per cent during the 1990s.⁸⁶⁰ The prime effect of the reinvigorated membership scheme was to convince existing customers of the advantages of becoming a co-op member and not to attract new consumers to shop at co-operative stores. Still, the strengthened membership figures implied that a dramatically increased number of consumers had made a stronger attachment to the co-op as their primary supplier of groceries. The development thus helped to further secure and stabilise the position of co-operative trade in the Norwegian food retail market.

The economic advantage of membership: The British and Norwegian consumer co-ops compared

The revised membership scheme launched by the Norwegian co-op in the early 1990s was a substantial success. It focused on offering tangible economic benefits exclusively to members. The launch of the scheme immediately led to a large increase in the number of members. While it had taken almost 90 years to attract 400,000 members to the co-operative movement, it took only ten more years to attract another 400,000. The development indicates that the Norwegian co-ops had found an effective recipe for attracting consumers to the co-op movement. While most Western European consumer co-ops, including the British, struggled to sustain their attractiveness among increasingly affluent and individualised post-war consumers, the Norwegians saw a stable and gradual increase in membership throughout the post-war years. And from the 1990s onwards the number of members joining the movement literally exploded. The British movement also saw an increase in membership during the late 1990s. But the growth was not as marked as the developments seen in Norway. It also followed a period of unbroken decline in membership figures stretching back to at least the 1960s. The question remains how these marked differences may be understood. Why did the attractiveness of joining a co-op vary so substantially between the Norwegian and the British movements?

The straightforward answer would be that the differences are related to differences in market development. Hence, as the Norwegian co-ops throughout the post-war years were

⁸⁵⁹ See E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerbevægelsens historie i Norge* (Oslo: Pax, 2006), p. 609.

⁸⁶⁰ See chapter eight in the present thesis.

gradually able to serve a larger and larger proportion of the market, they also managed to gradually increase their membership. In Britain, by contrast, co-operative market share was steadily lost from the 1950s onwards. And as co-operative stores served a smaller and smaller proportion of the market, the customer base from which to recruit new members also gradually evaporated.

This explanation obviously provides an important answer to the question posed. But it fails to account for the substantial growth in the membership figures experienced by the Norwegian co-ops during the 1990s. In this period, the market share of co-operative retail trade remained stable. Moreover, as the present chapter has revealed, the strategic approach taken by the Norwegian and British consumer to the challenge of reinvigorating the economic advantages of membership was marked by several important differences. These differences also need to be taken into account if a full understanding of the developments taking place is to be provided. Most prominently, while UK co-operators throughout the post-war years experimented with a number of different economic benefit schemes, the Norwegians stayed loyal to a traditional, flat dividend on purchase. Gradually the Norwegians also managed to develop a coherent and national plan for their membership recruitment, focusing in full on the individual economic benefits of co-operative membership. They also introduced electronic membership cards, made these valid across society structures and managed to demarcate their membership scheme from the customer loyalty programs of competing food retailers. It is revealing that all of these strategic features were recognised, debated and to some extent also partly implemented by the British co-operators. The problem was, however, that they never managed to coordinate the different strategies into a coherent national plan.

A few final examples may help illustrate this point. The first relates to the exclusive focus on tangible economic benefits advocated by the Norwegian co-ops from the early 1990s onwards. Comparing this strategy with major strategic debates initiated in the British co-op movement, it soon becomes clear that similar suggestions to focus more actively on concrete economic benefits had been launched by British co-operators for many years already. For example, at the beginning of the 1970s, the need to focus on individual economic gains had been advocated in the British co-operative press. In an article printed in a 1972 edition of the *Co-operative Review*, J. Bingham f argued for the need to offer a more comprehensive set of economic advantages to the members:

Truly, we are living in affluent times, drastically different from twenty years ago when owning a Co-op share was considered a prudent investment and even represented a certain status symbol to a goodly portion of the public. Nowadays

the membership approach has to be tempered to appeal to the modern demand: “What is in it for me?” and they will not be interested in talk on co-operative principles! ... Why not allow monthly credit facilities? Give special discounts on selected goods to members? Allow preview of Sale goods? Perhaps occasional late night shopping sprees to members only ... Lots of ideas come readily to mind when one begins to get keen on the potentials possible in boosting the shareholder image.”⁸⁶¹

Similar initiatives were taken by independent retail societies. In 1982, for example, the Bristol/Bath region of the CRS submitted a separate proposal to the Co-operative Congress on the importance of examining ‘what can be done to make membership, individual membership more meaningful.’⁸⁶² Moving the proposal, E. W. Evans noted how ‘this movement is dependent on membership and will be more dependent upon membership in the years to come ...but it needs to have demonstrable benefits. It needs to have easily recognisable benefits to add to the verbal idealism which is so often expressed from places such as this rostrum.’⁸⁶³ He went on to specify some possible benefits that could be offered: ‘I do not think it is too much to ask that we should have some discounts on travel, that we should have some discounts on holidays, that we should be able to make available a broad range of super-benefits because people have chosen to attach themselves to the co-operative movement.’⁸⁶⁴

But, none of these suggestions led to any concrete changes in how the co-op movement approached its members on a national scale. It is also revealing how the different schemes actually developed during the 1980s and 1990s to reinvigorate the economic advantages of becoming a co-op member, often turned out confusing and over-complex. In many instances, the true economic advantage remained difficult to see. The economic rewards offered also varied considerably. The rules for collecting them were often quite complex, as was also the case with how the rewards actually could be made use of. The 1995 return to the traditional cash dividend helped address some of these complexities. And as we have seen, these schemes became extremely popular. But as they continued to be offered to all consumers and not only members, they were not really a tool suitable for advocating a distinct co-operative advantage and for recruiting new members. They simply remained a customer loyalty scheme like any other. Complexity also remained a defining feature of many of the cash dividend schemes adopted. The principles of dividend payment operated by the Channel Island Co-operative Society as recently as in the summer of 2007, provide an illustrative example. As the rules stated on the society’s

⁸⁶¹ J. Bingham, ‘Share Number Please!’, *Co-operative Review*, 46:8 (1972), 7.

⁸⁶² Co-operative Union Ltd, *The 113th Annual Congress of the Co-operative Union Ltd held in the Dome Brighton, from May 31 to June 2, 1982* (Manchester: Co-operative Union Ltd, 1982), p. 91.

⁸⁶³ *Ibid.*, p. 92.

⁸⁶⁴ *Ibid.*

website explain: 'Dividend is paid on almost all purchases, with double dividend available in Locale and Grand Marché food stores on Tuesdays and Wednesdays.'⁸⁶⁵

A major advantage of the Norwegian membership scheme, as opposed to the different principles adopted by UK co-operators, was that it was simple and straightforward- offering a cash dividend on all purchases in all co-op stores. In addition, it also offered a varied set of other economic advantages, many similar to those E. W. Evans had pleaded for at the 1982 Co-op Union Congress.

A second example may be found in how the introduction of electronic membership cards was approached by the two movements. In Norway, the membership card immediately worked as an invaluable means to simplify and broaden the possibilities of earning a dividend. It presupposed a thorough clearing up of old membership lists and facilitated an easy, efficient and modern form of membership registration. The card soon proved to be a decisive mechanism in the search for new members. A 1999 investigation of existing co-op members showed that nearly 50 per cent of them would not have joined had it not been for 'the membership card with membership letters and the advantages tied up to this.'⁸⁶⁶

The British co-operators were also early in adopting electronic card technology. Already at the 1980 Co-op Union congress a proposal had been submitted by the South Suburban Society requesting the central executive 'to commission a study on the viability of issuing computerised membership cards to members for the purpose of recording their purchases.'⁸⁶⁷ In the words of the society's representative D. Jackson such a scheme could provide 'a constructive and uniform cost efficient way of paying dividend to members, members who we directly require for the success of this movement.'⁸⁶⁸ But, again little happened in terms of a concerted effort to advance such technology across the borders of the different retail societies. Rather, while many societies invested heavily in adopting computerised membership cards, the approach to the new technology remained fragmented. Different societies chose radically different technological solutions. In addition, the many different cards were provided with an abundance of different names and none of them were easily recognisable as a co-op membership card.

A third example relates to the national and well coordinated character of the Norwegian membership program, as opposed to the fragmented and local character of the British schemes.

⁸⁶⁵ Taken from the website of The Channel Island Co-operative Society, www.ci-cooperative.com, accessed 5 July 2008.

⁸⁶⁶ Cited in E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006), p. 533.

⁸⁶⁷ Co-operative Union Ltd, *The 111th Annual Congress of the Co-operative Union Ltd*. (Manchester, Co-operative Union Ltd, 1980), p.148.

⁸⁶⁸ *Ibid.*

The Norwegian membership card was launched in six separate retail societies during the winter of 1990. By 1994 the scheme was made national. From then on membership cards could be used in all co-op stores across the country and a dividend could be collected on all co-operative purchases.⁸⁶⁹ A separate membership department was developed within the NKL administration to coordinate the activities.

Again, similar strategic moves had been suggested and attempted by the British co-operators. Indeed, already in 1949 a national membership programme had been launched and implemented in the UK co-op movement.⁸⁷⁰ But not all societies chose to join and the system gradually broke down as the movement could not come to a common agreement on how the collection of dividends across society structures could be efficiently and fairly organised. The end result was that any further attempt to attract and reward members was made locally and the obvious potential in offering a coordinated national scheme was never exploited.

The final example concerns the ability of the Norwegian co-ops to develop a membership scheme capable of demarcating itself and efficiently competing with the schemes adopted by other retailers. As we have seen, Norwegian co-operators pioneered the introduction of electronic membership cards. And when competitors introduced their loyalty programs in 1997, the co-op soon found ways of countering these challenges. Indeed, of the two major competing cards launched, only one survived.

In the UK the story was different. While many co-op societies had experimented with different types of loyalty cards it was the 1994 launch of the Tesco Clubcard that marked the true beginning of customer loyalty schemes in the UK retail market. Again, the impression is given that the co-op was primarily copying its competitors and not capable of developing and advocating a true, alternative competitive advantage. Indeed, as the *Co-operative News* reported, the 1995 vote taken by the Co-op Union Congress to return to a cash dividend was explicitly related to the ‘customer loyalty inducements being offered by a competitor.’⁸⁷¹ And despite the return to a cash dividend, throughout the 1990s the feeling remained that in the operation of customer cards the co-ops remained second to those of the private multiples.

⁸⁶⁹ For a description, see E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukersamvirkets historie i Norge* (Oslo: Pax, 2006), pp. 525-31.

⁸⁷⁰ For a description, see R. Southern, ‘National co-operative membership in Great Britain’, *Review of International Co-operation*, 43:1 (1950), 67-69. See also, Co-operative Union Ltd, *Report of the 81st Annual Co-operative Congress in the Winter Gardens Theatre Morecambe May 29th, 30th, 31st, and June 1st, 1950* (Manchester: Co-operative Union Ltd, 1950), pp. 54-5.

⁸⁷¹ ‘Call to bring back the divi’, *Co-operative News* (6 June 1995). See also ‘Shoppers’ save our “divi” please’, *Co-operative News* (1 August 1995).

Conclusions

During the post-war period, the actual economic advantages offered by co-operative trade came under close scrutiny. The question was increasingly whether the co-op actually offered any advantages that could not be similarly met by other retailers. Traditionally, the principle economic advantage of being a co-op member and shopping regularly at the co-op store had been related to how this made the consumer liable to a share of the co-op's profit. The yearly or half yearly payments of this dividend made an important contribution to the daily household economy of many families. As standards of living rose, competition strengthened and dividend levels sank (largely due to increased competition), the impression was increasingly that the dividend was no longer an attractive feature capable of attracting trade and recruiting new members. A major challenge for the co-ops during the post-war period was how to handle this devaluation of one of the key features of their alternative business model and to convince consumers of the continued economic attractiveness of joining and staying loyal to the co-operative retailer.

This chapter has shown how the challenge was approached by the co-op movements in Norway and the UK. The general finding has been that while the British co-operators debated, questioned and largely substituted the dividend with a variety of different benefit schemes, the Norwegians continued to practise the principle of dividend on purchase. Payments remained limited, yet quite stable and the overall viability of the principle was never really questioned. In terms of popular support, the Norwegian approach continued to attract new members. Hence in the period from 1950 to 1990 the number of co-operative members rose from 270,000 to roughly 400,000 or by 68 per cent.⁸⁷² In the UK the same period saw a decline in membership of 23 per cent.⁸⁷³

During the 1990s this tendency continued. With the launch of a revised membership scheme, the Norwegian movement laid the foundations for the further strengthening of their membership base. By developing an innovative, simple, economically rewarding scheme and making this available across society structures, they managed to attract a substantial number of consumers to join the co-op. In the ten year period from 1990, membership figures doubled. The British for their part advocated many of the same advantages. But they failed to turn these ideas

⁸⁷² Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006). Note that the membership figure for 1990 reported in the official statistics is 487,625, but this is probably an overestimate. As in the UK, the Norwegian membership statistics were not satisfactory updated during the 1980s. As was noted by the NKL chairman Jarle Benum in his address to the 1990 NKL Congress, 'ongoing work with our membership register ... shows that it is very incomplete, and I think we have to admit that we do not have more than 400,000 active members in our organisation.' Norges Kooperative Landsforening, *NKLs 38 kongress Tromsø, 28.-30. september 1990. Stenografisk referat fra kongressforhandlingene* (Oslo: Norges Kooperative Landsforening, 1990), p. 61.

⁸⁷³ Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, selected years).

into concerted action on a national scale. And while some growth in membership was experienced in the last half of the 1990s, no national membership strategy had been developed and the true and distinct economic advantages of co-operative membership remained unclear behind the many different types of schemes still in operation. The end result was that the co-ops, as in other areas, were simply outperformed by their main competitors in the introduction and efficient operation of loyalty schemes.

Originally, the co-operative form of retailing had based its distinctive character on three major aspects. It was established to serve the interest of the consumer by providing retail services on a fair and honest basis. The operations were to be controlled democratically by the members and any distribution of surplus was to be made on the basis of each member's use of the enterprise. As such the co-ops sought to offer their members three parallel advantages; the political advantage of being a member of a consumer organisation, the advantage of self-governance and the economic advantage of being liable to a share of the profits produced in the enterprise. During the post-war period all these initial advantages of consumer co-operation were increasingly scrutinised and questioned. New consumer movements established during the immediate post-war years refused to accept that the co-op could effectively fulfil its role as a true consumer movement. The democratic governance structure of the co-operative enterprise was also gradually losing its legitimacy, as the size of the retail societies grew and they had to standardise and integrate their operations in order to achieve the necessary efficiency and profitability. The viability and vigour of the co-ops democratic decision-making structure was also challenged by the decline in popular involvement and decreasing civic engagement characteristic of the second half of the twentieth century. Finally, the economic advantages of co-operative membership were also increasingly challenged during this period. As dividend levels sank, competition intensified and standards of living rose, the question was increasingly what actual economic advantages the co-op could offer that couldn't equally be offered by other retailers. The end result of all these developments was that the very relevance of the co-op as an alternative form of business enterprise was in question.

During the post-war period, the co-ops were faced with numerous different challenges. They had to adopt new forms of retailing practises and they had to radically reform their organisational structures. In addition, they also had to actively reconsider all the fundamental premises on which their specific form of trading was based. This third main section of the thesis

has explored and discussed how the Norwegian and British consumer co-ops dealt with this final challenge. The analysis has formed the last step in a three-fold process aimed at explaining the divergent development of the Norwegian and British consumer co-operatives in the post-war period. The basic argument is that the divergent development paths of the two movements were closely related to, not only how they adapted their operational practises and organisational structures, but also to how they reformulated and redeveloped their overall goals and profile to meet with the societal and competitive transformations of the post-war period. The analysis has exposed this link by analysing the different approaches taken by the Norwegian and British consumer co-ops when dealing with these challenges.

During the immediate post-war years, both the British and the Norwegian co-operatives were faced with a direct attack on their long held claim to be the natural and most efficient protector of the consumer interest in the retail market. In Norway this attack was launched by the establishment of the state sponsored Consumer Council, in the UK by the establishment and immediate success of the private, non-profit Consumers Association (CA). The attacks were, however, handled very differently by the two movements. In Norway, the co-ops came to cautiously support the establishment of the new Consumer Council, largely accepting that their role as a consumer movement had to be supplemented by a state-led organ. Gradually, a more or less openly negotiated division of labour between the co-ops and the State, represented by the ruling Labour party, was developed. The co-ops were encouraged to focus their attention on the task of rationalising the existing retail industry, while handing over the main responsibility for consumer protection to the State. The development was largely in line with the strategic visions of the new NKL management, taking office in the late 1940s and early 1950s. It was soon also adopted by local co-operators, who tended to be more concerned with defending the day-to-day business operations of their local co-op than upholding broad visions of consumer protection. In subsequent years, most initiatives taken by the co-ops in the field of consumer protection were framed within a commercialised rhetoric. It primarily became a means to attract trade and not an obligation in itself.

In contrast, UK co-operatives were less willing to accept the denunciation of their role as a viable consumer movement. While the Norwegian co-ops soon recognised the Consumer Council as an acceptable organisation well-suited to protect consumer interests, the British were reluctant to accept the CA's claim to represent the interests of the general consumer. Most prominently, the CA was accused of being a middle-class venture incapable of representing the broad interest of the working class consumer. This attitude reflects the more radical and broader societal visions of British co-operators as opposed to the more pragmatic and commercialised

attitudes of the Norwegians. It also reflects the fact that, for many UK co-operators, British society remained fundamentally class-based. In Norway the importance of class remained less pronounced and the need for a radical alternative within the field of consumer politics was not considered relevant. The British co-operators, however, continued to argue that they had a role to play in the field of consumer politics, especially as an organisation specifically taking care of the interests of the working class consumer. But, their general analysis seems not to have been shared by these consumers. Despite their many broad visions, the co-ops also failed to come up with effective and convincing strategies and, as was concluded in the previous chapter, they 'provided few dynamic responses to consumer interests'.⁸⁷⁴ Moreover, as the British co-operative's approach to consumer politics largely remained an activity operating alongside their day-to-day trading activities, they also failed to take commercial advantage of their self-imposed image of being a consumer friendly retailer. Indeed, in many instances competing retailers managed to better capitalise on the economic potential of such an image.

The approach taken by the Norwegian and British consumer co-op to the challenge of declining democratic participation followed much the same pattern. Again, the Norwegian co-operators seem to have accepted more readily than the British that the democratic decision-making structure on which their enterprises were built was losing its attractiveness among consumers. Moreover, issues of membership, membership recruitment and membership involvement were also increasingly framed within a commercialised rhetoric. Growth in membership was viewed as important primarily as a means to increase trade and improve the general availability of capital. On similar lines, membership participation was largely defined in terms of increased buying, increased savings and increased loyalty to the co-op stores and not to actual participation in the democratic decision-making process of the retail society. While the ultimate effect of this approach was a continued decline in actual democratic participation, economic involvement of members in the co-op remained substantial.

The British, by contrast, continued to treat democratic participation as among the most important virtues of co-operative trading. But this ideological commitment also remained an appendage to the day-to-day trading activities and ongoing trade reforms. There was little talk of alternative forms of participation, of how to increase a member's average purchase or how to successfully increase member savings.⁸⁷⁵ Moreover, while co-operators repeatedly advocated the

⁸⁷⁴ M. Hilton, *Consumerism in 20th Century Britain* (Cambridge: Cambridge University Press, 2003), p. 176.

⁸⁷⁵ True, the problem of how to secure the necessary capital for expansion was repeatedly raised. But these debates often remained technical in character. They also tended to be marked by a sense of resignation and they were seldom paralleled with debates on membership, membership participation or membership recruitment. Some examples include, R. G. Hancock, 'More capital for expansion. From members, reserve funds and rented property', *The Co-*

need for increased participatory democracy, parallel processes of structural transformation resulted in a situation where the large majority of co-operative trade was centralised to a few very large societies. These societies had also often been established through protracted and complex processes of both organic and inorganic growth. As a consequence, the governance structure of these societies often turned out extremely intricate and over-complex. Hence, while members of the movement talked much about the virtues of democratic participation, parallel processes of structural transformation directly counteracted the possibility of creating a viable and efficient consumer democracy. The end result was that the movement neither managed to increase the member's economic participation nor to reinvigorate their democratic enthusiasm.

The major economic attraction of the co-operative form of retailing had been its principle of redistributing profits on the basis of use, the so-called dividend on purchase principle or 'buyers profit' as the Norwegians put it. The final challenge that needed to be approached by the British and Norwegian consumer co-ops in order to sustain a distinctive and attractive profile throughout the post-war period was the increasing questioning of this fundamental co-operative principle. This challenge was also approached differently. From the 1950s onwards British co-operators increasingly began to lose confidence in the ability of the dividend principle to attract trade and recruit new members. They subsequently introduced a series of alternative forms of surplus distribution. Most of these schemes were developed locally, leading to an abundance of different schemes and distribution principles. From the mid-1990s onwards some form of concurrence was attained as the need to return to a regular cash dividend was commonly agreed upon. But schemes continued to be developed locally. By now, private retailers had also started to develop their own types of customer loyalty programs. And instead of marking themselves clearly off from these schemes, the co-ops largely began to copy them. Instead of a distinctive element in co-operative trading, the co-operative membership scheme soon became yet another loyalty program among many others.

Again, the Norwegian approach was different. The dividend remained the prime economic advantage offered and during the 1950s and 1960s limited yet stable dividends were upheld. After a temporary decline in dividend payments from the late 1970s onwards, the dividend principle was given a new boost from 1990 onwards. A coordinated, national membership program was developed comprising the large majority of the existing retail societies.

operative Review, 29:1 (1955), 7-9; K. A. Noble, 'Co-operative capital. The present position and future needs', *Agenda*, March (1964), 3-16; Co-operative Union Ltd., 'Capital accumulation', *Trade Advisory Bulletin*, 27 (1966); Unknown author, 'Capital for expansion – how it might be found', *Co-operative Management and Marketing*, 1:3 (1968), 7-14; Co-operative Union Ltd., 'Capital accumulation', *Trade Advisory Bulletin*, 41 (1969) and K. A. Noble, 'Co-operative capital problems: their magnitude and some new approaches' *The Society for Co-operative Studies*, 12 (1971), 15-18.

Full focus was set on offering the members simple and tangible benefits, primarily in the form of a dividend on purchase. By launching its electronic membership card in 1991 the movement also became the first retailer in Norway to offer a national membership scheme based on an electronic platform. The scheme soon developed into by far the most popular membership programme in the Norwegian food retail market, engaging more than one million members or close to half of the total number of Norwegian households.

The post-war attacks on the actual relevance of the co-op as an alternative form of retailing organisation came to have a major effect on both the Norwegian and the British consumer co-ops. Both movements had to deal with the rise of new consumer movements questioning the viability of the co-op as a true protector of consumer interest. They had to deal with declining membership participation and repeated claims that the co-op democracy was outdated and inefficient. Finally, they had to face accusations that the actual economic rewards offered by the co-ops were negligible and that consumers seeking economic rewards might as well do their daily or weekly shopping at another retailer. The challenges were, however, approached differently and the end result marked yet another step in the process whereby the two movements departed on divergent development paths. The British co-operators were highly reluctant to accept that the principles on which they traded were outdated or in need of drastic reform. They thus continued to defend both their continued importance as a consumer movement and the viability of their participatory democracy. In doing so the British co-operators held high the broader ideological goals and profile of the co-operative enterprise. The problem was that these attitudes failed to be transferred into viable, practical strategies. The ultimate consequence was that, throughout the post-war years, the co-op movements' legitimacy as a true consumer movement, the actual democratic participation within the movement and the economic rewards offered in the form of dividend on purchase continued to decline along with declining profits and deteriorating market position.

The Norwegians, by contrast, tended to accept more easily the many attacks directed at their co-operative distinctiveness. And instead of vigorously defending principles they found to have only limited resonance among the general consumer, they sought to integrate them in the day-to-day trading operations of the co-operative enterprise. And while this implied that the co-op lost some of its distinctiveness as an alternative type of retailer, the strategy was successful in attracting popular support in the form of increased membership, increased savings and strong customer loyalty. Ultimately this also helped to secure and stabilise their overall trading performance. At the same time, the democratic-decision making structure was kept formally intact. Indeed, compared to the British, the size of the Norwegian retail societies remained

limited and the possibilities for members to have an actual a say in their co-op was therefore better taken care of. The Norwegian movement also continued to distribute a substantial proportion of the surplus as dividend, practising in full the alternative capital flow characteristic of co-operative trade. By the turn of the millennium, more than 60 per cent of total surplus was redistributed in the form of dividend on purchase. The equivalent figure in the UK was 25 per cent.⁸⁷⁶ Thus, in practice, the Norwegian consumer co-operatives of the new millennium in many respects operate their businesses more closely attuned to traditional co-operative principles than the British consumer co-operatives.

⁸⁷⁶ Figures estimated from Coop NKL, *Våre tall 1907-2005* (Statistics compiled by Tore Kristoffersen, Coop NKL, 2006) and Co-operative Union Ltd, *Co-operative Statistics* (Manchester: Co-operative Union Ltd, selected years).

Chapter 11: Conclusions

The present thesis set out to explore a single, yet complex question: how the Norwegian consumer co-operative movement throughout the post-war period managed to strengthen and sustain its market share and increase its membership while the British movement in the same period lost substantial market share and saw its membership figures decline dramatically. In analysing this question I have also tried to provide new insight into the more general phenomenon of post-war success and decline among consumer co-operative organisations.

This concluding chapter summarises and discusses the main findings. First, it recapitulates the analytical framework of the analysis. Secondly, it outlines a broad historical explanation of the divergent development of the Norwegian and British consumer co-operatives. Thirdly, it discusses how this explanation relates to existing accounts of post-war consumer co-operative development. Finally, some possible avenues for future research are suggested.

The analytical framework

A fundamental premise of the present analysis has been that any explanation of the divergent economic development of consumer co-operative enterprises during the post-war period needs to explore the relationship between the internal dynamics of the co-operative organisations and their societal and competitive environment. The analysis of the divergent post-war development of the British and Norwegian consumer co-ops has thus focused on how these two organisations approached major economic and societal transformations during this period.

Three processes were explored. First, we analysed how the transformation of the retail industry towards larger self-service supermarkets, superstores and hypermarkets and the subsequent development among dominant retailers of a multi-format structure of stores, challenged the traditional operational principles of the co-operative societies. In order to survive, these principles had to be drastically transformed. The analysis showed how this challenge was approached differently by the Norwegian and the British consumer co-operatives and how this shaped their development. Throughout the period covered, the Norwegian co-ops managed to hold on to a leading role in the development of new store formats, as well as in the strategy of running a diversified structure of shops. Co-operative food outlets, on average, remained larger than those run by private retailers and the Norwegian co-operators also managed to implement an efficient multi-format structure of stores. By the turn of the millennium, co-operative stores were market leaders in three of the four segments in which they operated. The UK movement by

contrast, lagged behind their competitors. After having pioneered self-service trading in the British market, the co-ops were surpassed by private retailers in the development of the larger supermarket, superstore and hypermarket formats. Moreover, while most major retailers from the 1990s onwards started to diversify the structure of their stores in order to compete in different market segments, the co-ops went against the current and chose to concentrate their operations in one, specialised segment.

The ultimate consequence of these developments was that the Norwegian co-ops managed to defend and even strengthen their share of the food retail market. From the mid 1970s onwards, their market share in the food trade was stabilised at approximately 24 per cent. In the UK by contrast, the market share of co-operative trade was slowly but steadily reduced. By the turn of the millennium the co-operative societies' share of the food retail market had been reduced to 5 per cent, a quarter of its peak level of approximately 20 per cent in 1955.

The second major transformation analysed was the development and breakthrough of the multiple form of enterprise within the food retailing businesses. The growth of these retailers implied a radical transformation in the dominant organisational order of the food retail industry.⁸⁷⁷ From a structure dominated by small independent retailers operating one or a few stores, the industry was increasingly controlled by large multiple retailers operating several hundred branches under centralised control. The many stores controlled by these retailers were operated on a standardised basis and served by an integrated system of distribution. The superior economies realised by the centralised, standardised and integrated organisational structures operated by the multiple retailers implied another fundamental challenge to co-operative trade. In order to meet the challenge, substantial transformations in how the co-ops organised their retailing operations had to be implemented. Again, the analysis showed how this was a challenge approached differently by the Norwegian and British consumer co-operatives. Already from the 1950s onwards, the Norwegian co-operatives had started to reform their operational structure to make it more equal to the chain store model. And while the private retail industry remained fragmented and tied to outmoded organisational structures, the co-op movement took the lead in promoting and introducing the chain store principles of organising within the Norwegian food retail market. The most radical steps were taken from the early 1990s onwards, when the movement reorganised its total system of supply into a completely integrated organisational structure. The ultimate effect was that the movement remained among the leading food retailers

⁸⁷⁷ The expression 'dominant organisational order' is adopted from J. Vatnaland, *Stability and change in the organization of industry. The chain store innovation and the transformation of American retailing in a comparative perspective* (PhD dissertation, University of Oslo, 2007).

in the country and a driving force in transforming the Norwegian food retail market, from one of Europe's most fragmented to being one of the most centralised.

The UK story was different. By centralising operations through amalgamations of societies into larger units, the movement managed to develop some successful, independent societies trading efficiently in their respective, regional markets. But lack of overall coordination of buying, limited operational standardisation across society structures and difficulties in implementing the necessary integration of the co-operative supply chain, drastically hampered the movements overall competitiveness throughout the post-war years. The effect was further decline.

The final transformation analysed was how distinct competitive and societal transformations of the post-war era put into question the ideological role and profile of the co-operative form of enterprise and how these processes affected and were handled by the Norwegian and British consumer co-operatives. Again, it was shown that these challenges were approached differently by the Norwegian and British consumer co-operatives and it was revealed how these differences further added to their divergent developments. In the UK, co-operators remained reluctant to accept the public devaluation of their viability as a true consumer movement. They also continued to advocate the virtues of democratic participation by the members. As such, the British co-operators continued to hold in high regard the broader ideological goals of the co-operative enterprise. The problem was, however, that none of these virtues were efficiently transferred into practical strategies capable of attracting new members or increasing customer loyalty. In their approach to the need for revitalising the economic advantages of co-operative membership, they tended to copy the schemes of their competitors, first by adopting stamp trading, secondly by developing customer loyalty cards without any distinct co-operative character. The ultimate consequence was that, throughout the post-war years, both the co-op movements' legitimacy as a true consumer movement, the actual democratic participation within the movement and the economic rewards offered in the form of a dividend on purchase continued to decline along with the declining profits and deteriorating market position.

The Norwegians by contrast tended to accept more easily the many attacks directed at their co-operative distinctiveness. Instead of vigorously defending principles they found to have only limited resonance among the general consumer, they sought to integrate them in the day-to-day trading operations of the co-operative enterprise. Issues of consumer protection and membership participation were increasingly applied as a means to strengthen the day-to-day commercial performance of the movement. At the same time, they remained loyal to the

dividend as the prime economic advantage of co-operative membership and also gradually managed to develop a highly successful national membership scheme. While the general approach of the Norwegian co-operators implied that the co-op lost some of its distinctiveness as an alternative type of retailer, the strategy was successful in attracting popular support in the form of increased membership, increased savings and strong customer loyalty. Ultimately this also helped to secure and stabilise their overall trading performance.

By way of the three-fold analysis just outlined, the previous chapters have provided a broad presentation and discussion of how the post-war divergent developments of the British and Norwegian consumer co-operatives unfolded. The analysis has shown how the two movements approached three major transformative processes and discussed how important differences in approach shaped the two movements' divergent economic developments.

What remains, however, is an analysis of *why* the two movements approached these transformative processes so differently. The previous chapters have each sought to indicate some of the reasons. But there is still a need to develop a summarising analysis of the major reasons that led the Norwegian and British consumer co-operatives to approach the major transformations of the post-war period so differently. This will be the task of the next two sub-chapters.

The contextual factors

The question of why the British and the Norwegian consumer co-operative movements developed so differently during the post-war period does not have a simple, straightforward answer. As the previous analysis should have made abundantly clear, a combination of numerous factors caused the divergent developments observed. This and the following sub-chapter seek to summarise the major factors in operation. Both discuss how these factors affected the two movements' ability to confront the operational, organisational and ideological challenges of the post-war period and thus also ultimately why the two movements developed so differently. The present sub-chapter will focus on what I have termed the contextual factors, while the next moves its attention to internal factors in the Norwegian and British co-operative enterprises.

The contextual factors are of two main kinds. The first relates to the level of competition within the Norwegian and British food retail market. The second concerns the demographic and geographical preconditions for trade within Norway and Great Britain.

Competitive differences

The Norwegian and British consumer co-operatives operated in different markets with different levels of competition. This contextual difference shaped their divergent developments.

As was noted repeatedly throughout the study, the competitive climate of the food retail industry in which the Norwegian and British co-ops operated varied markedly. Already from the early 1950s onwards the UK co-ops competed with large, multiple retail chains operating on an integrated platform. By 1960 these retailers controlled twenty per cent of total retail sales in the British market.⁸⁷⁸ In food retailing specifically, major retailers such as Sainsbury's, Tesco and Asda, Argyll/Safeway and Somerfield advanced markedly throughout the post-war years and by the end of the 1990s these five multiple retailers controlled more than half of the total British food retail market.⁸⁷⁹ Many of these retailers were ranked among the worlds most efficient.⁸⁸⁰ The competition which faced the British consumer co-operatives throughout the post-war period was thus substantial. The situation in Norway was different. Here, multiple retailers made virtually no progress in the first three decades of the post-war period. By 1960 independent retailers controlled more than 80 per cent of the retail market.⁸⁸¹ The co-ops controlled the rest. At this point there were still no multiple retailers in operation and the co-op movement remained the only large scale retailer within the food retail market. This fragmented character persisted way into the 1980s. Hence, while the British retail industry was increasingly dominated by large scale multiple retailers creating a climate of fierce competition already from the 1950s onwards, the Norwegian retail industry remained fragmented and ultimately less competitive.

These differences played an important role in shaping the developments of the consumer co-operatives in UK and Norway. With limited competition, the Norwegian co-ops could more easily sustain their pioneering role in self-service retailing and remain among the leading operators of large-scale retail outlets. They could also spend more time developing their organisational structure and adapting it more carefully to the federative model. And when competition finally intensified from the 1980s onwards, many of the vital structures needed to fight off this competition had been established. The movement had managed to establish numerous large and dominant food stores, easing the challenge of defending the co-operative market share. A clear division of labour between the national wholesale and the local retail

⁸⁷⁸ Figures taken from J. B Jefferys and D. Knee, *Retailing in Europe. Present structure and future trends* (London: MacMillan, 1962), p. 65.

⁸⁷⁹ N. Wrigley and M. Lowe, *Reading Retail. A Geographical Perspective on Retailing and Consumption Spaces* (London: Arnold, 2002), p. 33.

⁸⁸⁰ See S. Burt and L. Sparks, 'Performance in Food Retailing: A Cross-national Consideration and Comparison of Retail Margins', *British Journal of Management* 8:2 (1997), 133-50.

⁸⁸¹ J. B Jefferys and D. Knee, *Retailing in Europe. Present structure and future trends* (London: MacMillan, 1962), p. 65.

societies had also been established. Finally, the movement was well ahead in reorganising the structure of their stores into more clearly defined segments. The limited competition characteristic of the Norwegian food retail market in the first three decades of the post-war period thus helped to ease the continued expansion of co-operative trade during this period. It also laid the foundations for continued competitiveness into the 1990s and 2000s.

The exact opposite was experienced by the British co-operators. Faced with rapidly advancing multiple retailers from the 1950s onwards, they had to accept much harder competition in the race to remain the leading operator of self-service stores. They soon also had to recognise that their competitors better managed to exploit the advantages of supermarket and hypermarket retailing. The superior efficiencies of the multiples also implied that drastic transformations in the organisational structures of the co-op had to be made in order to reach the same level of profitability as these retailers. Lack of reform immediately implied that the co-ops lost out in the competitive race, they remained less efficient than their competitors and ultimately failed to offer competitive prices. There was simply not the same possibility for gradual adoption of an integrated, centralised and standardised model in Britain, as there had been in Norway. As such, the uneven competition ultimately seems to have played an important role in shaping the two movements' divergent developments.

Geographical and demographic differences

The geographical and demographic preconditions for trade were different in Norway and the UK. These differences shaped the divergent development of co-operative trade, both directly and indirectly. While these factors were seldom touched upon in the preceding analysis, they form an important backdrop for the development described.

Great Britain and Norway have different geographies. While Britain stretches over 94,526 sq miles, the size of Norway totals 125,182 square miles.⁸⁸² Moreover, extending 1,089 miles or 1,752 km in the direction NNE-SSW, Norway has the greatest length of any European country.⁸⁸³ A substantial part of the country is covered by mountains. Numerous fjords penetrate the mainland, mostly along the western coast but also in the east. These geographical conditions have facilitated the development of numerous small, scarcely populated and often quite isolated communities. Indeed, in 1950 approximately 50 per cent of the population lived in rural districts.

⁸⁸² Equal to 240,000 and 324,000 square kilometres respectively.

⁸⁸³ When no other source is mentioned, all figures in the present paragraph are adopted from U.S. Central Intelligence Agency, *World Factbook 2000: United Kingdom*, at www.cia.gov/redirects/factbookredirect.html; www.nationsencyclopedia.com and Statistics Norway, at www.ssb.no, all accessed 31 January 2008.

In Britain the similar figure was 22.5 per cent.⁸⁸⁴ Unlike Norway, the British geographical landscape is dominated by rugged hills and low mountains, with rolling plains in the east and southeast. As such, the different parts of the country are much more accessible. The British population is also much larger than the Norwegian and the country is much more densely populated. With an estimated population in 2007 of roughly 60 million, the population density equalled 652 persons per square mile. The similar figures for Norway were 4.7 million inhabitants and a population density of 38 persons per square mile.⁸⁸⁵

The dominance of small, often quite isolated communities within Norwegian society has facilitated the survival of small scale consumer co-operative enterprises. In many local communities there was only room for one store. Often this turned out to be a co-op store. These retail stores and the societies that operated them could more easily survive without radically altering the small scale structure on which they traded. They often held a local monopoly or they operated in an environment where trade was more or less equally shared between the co-op and a private shopkeeper. The different stores had their regular customers and they didn't really compete for trade on a day-to-day basis.

Also, at the regional level the Norwegian markets remained of limited size. Compared to Britain, the number of people living within a natural region for co-operative trade was simply much smaller in Norway and the maximum trade that could be obtained was thus naturally restricted. This implied that even the largest societies operating within the Norwegian co-op movement, at least compared to the largest societies in Britain, remained medium sized.⁸⁸⁶

This dominance of small and medium sized retail societies increased the need, as well as the advantages of close collaboration between the retail units and national wholesaler. Most retail societies simply lacked the resources necessary to take care of such functions as production and wholesaling. Moreover, when trading with a national wholesaler they could take advantage of the substantial price improvements created by bulk buying. True, as was shown in chapter eight, it was primarily the smaller societies that were advantaged when the co-op movement, in the early 1990s, centralised all buying to the National Co-operative Association (NKL). But the regional

⁸⁸⁴ That is, outside of cities. Figures adopted from United Nations, Population division, Departement of Economic and Social affairs, *World Urbanization Prospects: The 2005 revision*, Table A.3, Urban population at mid-year by major area, region and country, 1950-2030 and A. Maddison, *The world economy. Volume 1: A millennial perspective / Volume 2: Historical statistics* (Paris: OECD, 2006).

⁸⁸⁵ Equal to 252 and 15 persons per square kilometre respectively.

⁸⁸⁶ And this difference has remained until the present day. As an example only, as late as in 2005 the two largest regional and independent British retail societies (the United Co-op and Midlands) traded an annual turnover of £ 2.1 billion and £757 million respectively. In the same year the two largest Norwegian retail societies (Coop Øst and Trondos) recorded an annual trade of £298 million and £ 222 million. Figures adopted from Coop Øst, *Årsberetning 2005*, Trondos, *Årsberetning 2006* and Co-operatives UK, *Performance and statistical review 2005* (Manchester: Co-operatives UK, 2006)

units also saw advantages in the centralised and integrated structure, when they were finally convinced that it created better buying terms than they could obtain themselves. As such, the dominance of small and medium sized retail societies facilitated the clear division of labour characteristic of the movement and also increased co-operation and coordination between the retail and the wholesale level.

The geographical and demographic characteristics of the Norwegian society thus seem to have facilitated an easier survival for co-operative trade. At the local level, small societies could more easily prosper without having to participate in large mergers. That is, the need was less acute in Norway than in many other countries, including Britain, to centralise trade into larger units. At the national level, dominance of small and medium sized societies facilitated a clear division of labour and a stronger integration of the retail and the wholesale units.

In Britain the situation was different. Here, most co-ops traded in more densely populated regional markets, with more mobility among the consumer and easier access to competing retailers. As the markets were larger there was more to be gained by increasing the size of the operations and thus also a stronger pressure to take advantage of such size. These trading conditions, in large part created by the geographical and demographic characteristics of the British society, created two parallel challenges for co-operative trade. First, the many small-scale societies on which the co-operative movement had traditionally been built were more easily outperformed. There were few local monopolies from which these co-operative societies could take advantage and the regional markets often held numerous fierce competitors. Secondly, the dominance of such large regional markets caused the gradual development within the co-op movement of a few, very large regional retail societies. In contrast to the smaller Norwegian retail co-ops, these societies were more inclined to take on all kinds of functions. Hence, rather than cooperating in a co-operative chain of distribution, 'outsourcing' such functions as wholesaling and buying to the national wholesaler, they sought to integrate all these functions within the boundaries of their own retail societies. The end result was, as we have seen in previous chapters, much costly duplication of functions and a general inability to take full advantage of national, bulk buying. And while some of the large regional societies competed well, the movement's overall survival at the national level suffered because of these large societies' reluctance to cooperate.

On these grounds it may be argued that the geographical and demographic conditions in Norway facilitated a further growth of co-operative trade also into the second half of the twentieth century. In Britain, by contrast, the geographical and demographic conditions impeded the further growth of such retailing. The geographical positioning of co-ops in densely populated

regional markets, with easy entry for new competitors, as well as easy exit opportunities for the consumers, simply became too challenging a task to handle for the British co-operators. In Norway, by contrast, the demographic and geographical conditions seem to have favoured the co-operative form of trade. By itself, it decreased the level of competition in local markets. By facilitating the persistence of many small and medium sized retail societies, it also indirectly pushed forward increased coordination and cooperation within the co-operative movement. Combined with the limited progress of multiple retailers characteristic of the first three decades of the post-war period, the demographic and geographical context thus had a positive effect on the post-war success of co-operative trade in the Norwegian market.

Competition, geography and demography were important contextual factors in shaping post-war development of co-operative trade. They affected the co-operators directly by shaping the markets in which they operated. They also worked indirectly by facilitating specific types of organisational choice. The small co-ops of the many small and rural Norwegian communities were more inclined to cooperate with the national wholesaler. Large regional British retail societies, competing in large regional markets, were less inclined to cooperate nationally and tended instead to develop their own wholesaling function and sustain a separate buying department, all within the boundaries of their own retail organisation. But still, it remains both superficial and unsatisfactory to relate the divergent developments of the Norwegian and British consumer co-ops purely to factors outside the realms of the co-operative organisations themselves. As was repeatedly noted in the empirical analysis, competitive differences between the Norwegian and the British retail markets can only account for some of the divergent developments observed. And while the demographic and geographical environments of Norwegian and British society were important preconditions for the two movements' developments, these factors only account for part of the picture observed. Hence, while the contextual factors just presented form an important element in the general historical explanation outlined here, they have to be supplemented with factors internal to the co-operative organisations themselves.

The internal factors

Alongside the contextual factors discussed above, the divergent development of the British and Norwegian consumer co-ops was fundamentally shaped by a series of internal differences between the two movements. These internal factors directly affected the two movements' ability to adapt adequately to the operational, organisational and ideological challenges they were facing

during the post-war years. Ultimately, they also strongly influenced the two movements overall economic developments. The internal factors are of four major kinds.

Political ambitions and ideological profile

The Norwegian and British consumer co-operative held different political ambitions and had different ideological profiles. These differences shaped their economic development.

Largely, the Norwegian co-operators managed to stay independent from the class struggle logic of socialism and maintained their legitimacy as independent organisations comprising not only workers but also, farmers and fishermen. As shown in a previous chapter, by 1950 farmers made up approximately 40 per cent of total co-operative membership.⁸⁸⁷ The Norwegian co-ops also managed to sustain broad political support, with not only Labour but also the Liberal party and the Farmer's party being in favour of the co-operative organisational form. The situation in the UK was very different. The British co-ops remained an urban movement, strongly enmeshed in the culture of the working-class. Public support for co-operative trade was thus primarily limited to one fraction of society – the industrial workers. The British co-operators didn't develop the same broad political support as the Norwegians. The relationship with the Labour party, not least with other political parties, was much more troubled. The continued existence of a separate Co-operative Party also suggested that the co-operators still had separate political ambitions. Even if the party most often operated in concurrence with the Labour Party, its very existence implied that there was an institutionalised divergence between the co-operators on the one hand and the political wing of the labour movement on the other.

These political differences reflected a different ideological profile. The Norwegian co-operators repeatedly advocated the principle of political neutrality. By 1950, their main political ambitions were also long gone and the movement was primarily dedicated to improving its commercial performance. In cases where political statements had to be made, the co-operative leadership remained moderate. This neutral, commercialised and moderate ideological profile helped create a broad public and political support for co-operative trade. The situation in Britain was different. Political sympathies were more directly expressed towards the interests of the working class. British co-operators also continued to uphold broad political visions of societal transformation on co-operative lines. Finally, they tended to be much more radical in their political stance.

These differences in political ambitions and ideological profiles influenced the survival of co-operative trade in various ways. Even if substantial hostilities towards the co-op store existed

⁸⁸⁷ See chapter nine in the present thesis.

among some Norwegian conservatives and right-wing liberals, the moderate and balanced political viewpoints expressed by leading co-operators implied that they could draw support from large consumer segments. The broad political support expressed for co-operative trade also reflected a feeling of shared interest and common values between co-operators and national and local political leaders. This in turn may have made it more acceptable for the co-operators to hand over traditional co-operative responsibilities, such as consumer protection, to the political authorities, while focusing their own operations more on commercial rationalisation. The broad political and public support offered to the Norwegian consumer co-ops thus laid the foundations both for increased support in the form of increased trade and increased membership and it facilitated the development of a more commercially oriented co-operative enterprises. Both these factors were important in sustaining the growth of the co-operative trade in the second half of the twentieth century.

In Britain by contrast, the co-ops more or less exclusively focused on serving the interests of the industrial working class. This implied that they had a more limited base from which to draw their members and customers. These problems became particularly pronounced as the coming of post-industrial society broke up working-class communities and gradually turned large groups of the population into middle-class employees in the service sector. Moreover, the British co-ops also had a harder time accepting that traditional co-operative responsibilities were to be taken over by alternative public or private agencies. Rather than seeing these as collaborators, these agencies often ended up being regarded as rivals. The reluctance to accept the Consumers Association (CA) as an acceptable replacement of co-operative consumer protection is a case in point. The end result was that the co-ops continued to advocate broad and often vague ideals of consumer protection, without relating these clearly to their day-to-day trading operations.

Organisational culture

In addition to differences in the political ambitions and ideological profile, the divergent development of the Norwegian and British consumer co-operatives was also shaped by differences in the overall values and belief systems dominating the two organisations. That is, the development was fundamentally affected by differences in organisational culture. An organisational culture may be defined as a 'stable set of taken for granted assumptions, shared beliefs, meanings and values that form a kind of backdrop for action.'⁸⁸⁸ Despite their similarity as

⁸⁸⁸ L. Smircich, 'Is the concept of culture a paradigm for understanding organisations and ourselves', in P. J. Frost, L. F. More, M. Reis Louis, C. C. Lundberg and J. Martin (eds), *Organizational culture* (Beverly Hills CA: Sage, 1985), cited in W. R. Scott, *Organizations. Rational, Natural and Open Systems* (New Jersey: Prentice Hall, 1998 4th ed), p. 312.

co-operative organisations, the Norwegian and British consumer co-ops were often governed by very different belief systems and taken-for-granted assumptions.

The Norwegians more easily accepted the need for change. They were more willing to adopt new types of retailing and wholesaling technology and they accepted that traditional co-operative virtues had to be adapted and sometimes abandoned if the co-operative form of retailing was to survive. As such, they were pragmatists. They also tended to be dedicated primarily to the commercial aspects of consumer co-operation, focusing on the co-operative aspect of their specific form of retailing, while consumer advocacy and the principle of democratic governance by the members were given less attention. Throughout the course of the post-war period they came to define the goal of the consumer co-operative movement largely as one of rationalising the Norwegian retailing industry along co-operative lines. Indicative of these basic 'beliefs, meanings and values' that seem to have enmeshed the organisational culture of the Norwegian co-operative movement is the answer provided by the leading NKL manager Knut Moe, when he in retrospect was asked what he saw as the essence of the consumer co-operative organisational form: 'I mean that co-operation represented a simplification of buying, distribution and the setting of prices.'⁸⁸⁹

The prime reasons for these dominant pragmatic and commercially oriented values seem to be of two major kinds. Firstly, a large proportion of the co-operative members and leading officials were small farmers. They were politically liberal and they were more inclined to focus on the commercial needs of the local co-op to which they belonged.⁸⁹⁰ Moreover, members and officials with more direct relation to the Labour movement also tended to be politically moderate. Hence, the leading NKL official Peder Søliland was typically a right wing social-democrat. While Knut Moe, according to himself, was 'not a member of any party'.⁸⁹¹ Secondly, co-operative leaders were more often than not recruited from outside the movement. While they were less trained in the traditional virtues of consumer co-operation, they carried with them important experience from other industries and other forms of enterprises.⁸⁹²

In Britain, other basic assumptions and values dominated. Indeed, some British co-operators showed much the same eagerness to take on leading roles in their national retail market

⁸⁸⁹ Interview, Knut Moe, 19 December 2002.

⁸⁹⁰ The prime example of such a co-operative leader is perhaps Jarle Benum, serving on the NKL board from 1962 to 1992, the last six as chairman. Benum was a farmer from the region of Værdaal, in Northern Trøndelag. He was a leader with highly developed commercial skills, among other things breeding pigs and fur-bearing animals (blue fox), with substantial commercial success. And, he was a member of the Liberal party, serving twelve years as a deputy to the Norwegian Parliament (the Storting) (Interview, Jarle Benum, 12 December 2002).

⁸⁹¹ Interview, Knut Moe, 19 December 2002.

⁸⁹² Prominent examples of such managers and officials include Knut Moe, the NKL chairman from 1952 onwards Olav Meisdalshagen, the NKL CEO in the period 1989-2000 Rolf Rønning and the NKL chairman from 1994-2000, Armin Hofstad.

as Norwegian co-operators. As we recall, British co-operators pioneered both self-service, supermarkets and to some extent also hypermarket retailing in the British market. As such, some of them were highly innovative. But these scattered innovative fibres never managed to permeate the co-operative culture as a whole. Rather, most co-operators tended to be quite reluctant to change and the dominant type of shared values seem to have been that of conservatism. Moreover, leading British co-operators long continued to advocate the social and moral superiority of the consumer co-operative form of trade. Even if multiple retailers had overhauled the market position of co-operative trade, co-operative managers continued to advocate utopian missions of societal transformation along co-operative lines.

Hence, while the organisational culture of the Norwegian co-operators was defined largely by an open minded, commercial pragmatism, the culture of the British co-operators remained more of a conservative utopianism. British co-operators simply did not seem to possess the same commercial flair that many Norwegian co-operators did. Their strong working class affiliations and radical political attitudes implied that co-operation for a long time was viewed as a means to replace capitalism and not just an alternative form of trading, operating alongside the capitalist market system. The British also tended to recruit their managers and officials largely from the inside, or to cite British retail analyst Leigh ‘from a comparatively restricted and diluted pool of talent, ... often relatively “in-bred”’.⁸⁹³ This practise may be seen to have hindered the diffusion of new and more pragmatic ideas and cemented traditional views and ideals

We have already indicated how these differences in the overall organisational cultures of the Norwegian and British consumer co-ops may have affected the development of the two movements. It is evident that the more pragmatist and commercially oriented views of the Norwegian co-operators helped secure their early lead in self-service and supermarket retailing. Large scale retailing was adopted fast and with substantial enthusiasm, while many British retail societies continued to rely on their small-scale operations and expressed substantial reluctance towards the larger formats. In reforming their ideological profile, the Norwegians were also more inclined than the British to tone down ideological aspects in favour of purely economic ones. This helped them secure a more focused approach to the retail challenges of the late twentieth century and it also caused a massive rise in co-operative membership, further stabilising the market position of co-operative trade.

⁸⁹³ L. Sparks, ‘Consumer Co-operation in the United Kingdom 1945-1993’, *Journal of Co-operative Studies*, 79 (1994), 41.

Leadership

A third internal difference to be noted is how the Norwegian co-ops generally have been advantaged in their development by holding a stable and visionary national leadership with the ability to unite the movement on a national scale and to push forward fundamental processes of reform in the total system of co-operative distribution. The British by contrast, have neither had a similar stability in leadership, nor a similar ability to develop leadership at a national scale capable of uniting the many dispersed retail societies on a common commercial and ideological platform. It is revealing how the success of the Norwegian consumer co-operative may be directly tied to the strategies and visions of a few prominent managers and elected officials, while the British development can not equally be related to one or a few prominent leaders.

In the Norwegian case, the contents of a stable, visionary and effective co-operative leadership is represented most forcefully by Knut Moe and Rolf Rønning. Moe was hired to run the NKL grocery division in 1947 and he stayed in the organisation for thirty-five years, from 1965 as the organisation's CEO. Rønning, on the other hand, was hired in the winter of 1989 and retired by the summer of 2000. Even if Moe was not appointed CEO of the NKL before 1965, as manager of the dominant grocery division he had been the prime commercial leader in the NKL from when he was hired in the late 1940s. Hence, apart from six years in the mid-1980s when the NKL was led by the former Trondos manager Knut Værdal, throughout the entire post-war period, the national co-operative association in Norway was managed and dominated by two leaders.⁸⁹⁴

Moreover, these two leaders operated according to similar visions and commercial ideals. Both were outsiders to the co-operative movement.⁸⁹⁵ They were also both primarily dedicated to improving the commercial performance of the co-op movement. They were determined to show that the co-operative system of organising food retailing could be made as efficient as other forms of retailing if one was able to take full advantage of its specific organisational features. To achieve this end both advocated the need to strengthen the link between the national wholesaler and the local retail units and to develop a coherent, nationally integrated system of buying, distribution and selling.

It is difficult to find leaders with similar importance in the UK movement. True, there have been many excellent leaders at the local level playing vital roles in the development and

⁸⁹⁴ In the period from 2000 to 2002 the NKL was managed by Svein Skorstad, a former manager of the Norwegian production co-operative Gilde Norsk Kjøtt.

⁸⁹⁵ True, Moe was married to the daughter of a co-operative manager and he had worked a few years in the NKL before the war. But apart from that, he had no former relation to the co-operative movement. As a former vice-executive of the production co-operative Bøndenes Salgslag, Rønning had some co-operative experience, but he was a newcomer to the consumer co-operative movement.

growth of their local societies. Of the early post-war period John Corina of the London society spring to mind as one such leader, among other things he was a major force in introducing self-service retailing in the British food retail market.⁸⁹⁶ Another example is the more contemporary Martin Beaumont, who managed the United Norwest (later United Co-operatives) during the 1990s with substantial success and later was appointed chief executive of the Co-operative Group. But neither of these leaders came even close to directly influencing the development of consumer co-operation as a national movement like Moe and Rønning did. They were first and foremost excellent managers of their local retail societies and thus simply not in a position to initiate and implement any radical reforms in how the retail societies operated nationally. Philip Thomas of the CWS could have become such a character. He came in as an outsider and took the position as chief executive of the CWS in 1967, just after the national wholesale federation had accepted a reorganisation of its management structure to allow for greater powers to the hired management. Thomas soon initiated considerable processes of modernisation comprising both the CWS and co-operative trade more generally. But, then he tragically died in a plane crash, just a little more than a year after his appointment at the national co-operative wholesale.⁸⁹⁷

The progress of the Norwegian consumer co-ops during the second half of the twentieth century was in important ways pushed forward by a few, very influential leaders, who managed to transfer their visions and commercial ideas into applicable and effective retail strategies. In Britain, such leaders, capable of uniting the movement along a common national strategy, didn't evolve. It is important to note, however, that the comparatively more limited role played by co-operative leaders in the UK was not primarily caused by weak leadership. Rather, it was related to how the organisational structure of the British co-op movement did not facilitate concerted action from one or a few leaders on behalf of the movement as a whole.

Organisational structure

The British and Norwegian consumer co-operative movements were organised differently. In Britain, increasingly large, regional societies dominated the movement. At the national level federative responsibilities were divided between two organisations. No clear division of labour existed between the national and the local levels. Many retail societies had integrated backwards into wholesaling, while the wholesale organisations had integrated forward into retailing. In Norway, more numerous, small and medium sized societies dominated the movement. All

⁸⁹⁶ See chapter two in the present thesis.

⁸⁹⁷ For a account, see W. Richardson, *The CWS in war and peace 1938-1976* (Manchester: Co-operative Wholesale Society Limited, 1977), pp. 295-335.

common functions were gathered in one national association, the NKL. The movement also upheld a traditional federative division of labour. Local societies remained fully responsible for the retailing operations, while the NKL focused on wholesaling, distribution and other common functions. These differences in the organisational structures of the Norwegian and British consumer co-operatives further added to the divergent developments of the two movements.

Already from the establishment of the NKL, it was clear to the central leadership that the common organisation should combine ideological and commercial activities. This strategic choice stood in contrast to the British model, based as it was on two national wholesalers (the Cooperative Wholesale Society (CWS) and the Scottish Cooperative Wholesale Society (SCWS)) and one national interest organisation (the Co-operative Union). Hence, already from 1906 onwards the basic organisational structures of the Norwegian and British consumer co-ops were markedly different. The most obvious advantage of the Norwegian model was that it provided the local retail societies with direct influence on both the commercial and the ideological development of the movement through one, single democratic decision-making arena. This organisational model proved especially important when the developments within the retail sector demanded a tighter coordination of the wholesale and the retail operations of the co-ops. Even if the NKL Congress had limited direct authority over the retail societies' day-to-day operation, it became an important arena for the NKL leadership to present its commercial strategies for the local societies and to anchor controversial strategies in the movement as a whole. When the congress had expressed its support, controversial strategies could be put into effect faster and more smoothly. With only one national association in operation, potentially exhausting tensions between parallel national federations was also avoided.

The Norwegians also seem to have been advantaged by their continued reliance on small and medium sized retail societies and the persistence of a traditional division of labour between the national wholesaler and the retail societies. While many national consumer co-operatives abandoned the federative structure; either partly through the development of wholesale owned retail operations or fully by implementing a complete national merger of all consumer co-operative societies, the Norwegians upheld a traditional federative organisational structure throughout the post-war years. They centralised by merging small societies into larger units. But most societies remained small or medium sized. These societies continued to operate primarily as retailers, while the NKL took care of wholesaling, distribution and later also buying and marketing for co-operative stores. The possible advantages of such an organisational structure have already been indicated. Most importantly, in the Norwegian case it seems to have increased the retail societies' need for common functions and thus helped push forward necessary

processes of integration and standardisation. Hence, even if the organisational centralisation of co-operative trade in Norway remained comparatively limited – by 2002, 235 independent retail societies were still in operation, the similar figure in Britain was 42 – the overall coordination of trade was substantial. By the turn of the millennium, buying and marketing were fully centralised, stores were branded and operated on a standardised basis across society structures and the internal system of distribution was fully integrated. Hence, all the main operational features of the chain store had been adopted. At the same time, retail societies continued to hold some leverage in their day-to-day business operations and, most importantly, they continued to hold full economic responsibility. What essentially had been developed in this process was a national chain store on co-operative lines, fruitfully combining the advantages of central coordination with the advantages of local responsibility and local market knowledge.

The UK experience again represents a telling contrast. First, the division of federative responsibilities in two (or if counting the SCWS, over a long period, three) separate organisations may seem to have been a disadvantage. Being the most important arena for co-operators to discuss the national development of co-operative trade, pressing commercial issues in the form of national wholesaling, integration of functions or standardisation of outlets had no formal role to play at Co-operative Union congresses. Meetings were primarily set to discuss the development within the Co-op Union during the subsequent years and the Union was not primarily a commercial organisation, but an ideological one. And even if commercial issues were debated at length, the Congress had no authority or efficient means by which to make local societies follow existing recommendations. The analysis of this thesis has repeatedly shown how, throughout the post-war years numerous plans and committee reports developed by resolution from the Co-operative Union were simply ignored by the retail societies.

Secondly, while the Norwegian movement was based on numerous small and medium sized societies, the British societies were fewer and on average much larger, both in terms of trade and in terms of registered membership. While highly centralised, this structure made it more difficult to obtain the necessary standardisation and integration of functions on a national scale. The large British regional societies were less inclined to hand over authority to national federations than were the smaller Norwegian societies. Instead they tended to develop as self-sufficient regional retail businesses, controlling their own wholesaling business and running stores of numerous different types and under numerous different brands. There is also a clear impression that these societies wanted to be viewed primarily as full blown businesses in their

own right and not just as branches of the co-op.⁸⁹⁸ The effect was, however, that throughout the post-war years the overall approach taken to the challenges facing the co-op movement remained fragmented; in terms of store development, in terms of creating an efficient system of distribution to serve these stores and in terms of developing an attractive national image.

Taken together, the explanatory factors presented above all worked to shape the approach taken by the Norwegian and British consumer co-operatives to the major societal and competitive challenges facing them during the post-war period. A simplified presentation of the overall argument and the main explanatory components is provided in the table below

⁸⁹⁸ They seem largely to have succeeded in this task. It is revealing how most recent research on British retailing, providing overviews of the country's largest food retailers, very seldom present the co-ops as one entity (and thus as one of the largest food retailers in the country). As a consequence the co-op is often left out of the overviews (see for example S. Burt and L. Sparks, 'Performance in Food Retailing: A Cross-national Consideration and Comparison of Retail Margins', *British Journal of Management* 8:2 (1997), 133-50; N. Wrigley and M. Lowe, *Reading Retail. A geographical perspective on retailing and consumption spaces* (London: Arnold, 2002)). Even the large public Competition Commission, presenting its findings in 2000, failed to provide a total market share figure for co-operative trade. Rather, the market share of co-operative trade was presented in three separate columns, containing the CWS, the CRS and 'Others' respectively (Competition Commission, *Supermarkets. A report on the supply of groceries from multiple stores in the United Kingdom, volume 2* (Competition Commission, 2000)). In Norway by contrast, all major overviews of market share development in the food retail market include Coop as one national entity. In fact, it is very hard to obtain market share figures of single retail societies, indicating how strongly connected these are to the co-op as single national retailer.

Table 11.1: The divergent development of the Norwegian and British consumer co-operatives

Norway		UK
MAIN CHARACTERISTICS OF DEVELOPMENT		
Stores	Self-service innovator Leading in new formats Multi-format approach	Self-service innovator Lagging in new formats Uni-format approach
Organisational structure	Partial centralisation National standardisation National integration Co-operative chain store	Substantial centralisation Local/regional standardisation Partial integration Co-operative concern + federative structure
Ideology	Commercialised consumerism Economic participation National dividend scheme	Co-operative consumerism Democratic participation Regional dividend/loyalty schemes
MAIN EXPLANATORY FACTORS		
Contextual factors		
- Competitive differences	Late development of multiple retailing	Early development of multiple retailing
- Geographic and demographic differences	Small, local communities Population density low Small/medium sized markets	Regional/Urban communities Population density high Medium/large regional markets
Internal factors		
- Political ambitions and ideological profile	Political neutrality Commercial ambitions Moderate/right wing social-democrats Broad political and public support	Working class affiliations Political/societal ambitions Radical/left wing social-democrats Narrow political and public support
- Leadership	Stable Shared visions National influence	Unstable Conflicting visions Local/regional influence
- Organisational culture	Commercial pragmatism	Conservative utopianism
- Organisational structure	Size of societies: Small and medium One national federation: commercial and ideological functions integrated Clear division of labour	Size of societies: regional/large Two (three) national federations: commercial and ideological functions separated Unclear division of labour

The above figure concludes the analysis of why the Norwegian consumer co-operative movement throughout the post-war period was able to strengthen and sustain its market share and increase its membership, while the British movement in the same period lost substantial

market share and saw its membership figures decline dramatically. One question does, however, still remain. How may the findings of the present analysis shed light on the more general phenomenon of post-war success and decline among consumer co-operative organisations?

The divergent development of consumer co-operatives – towards a broader understanding

The divergent economic developments of the Norwegian and British consumer co-operatives is an illustrative example of a more general development pattern of post-war consumer co-operative organisations. But to what extent may our analysis of the British and Norwegian developments increase our understanding of post-war consumer co-operative development more generally? One way of approaching this question would be to analyse the findings of the present study in the light of existing knowledge, as this was presented in the introductory chapter. This will be the task of the present sub-chapter

The first explanatory framework we examined in the introductory part was that of competition. It was shown how several accounts have pointed to the level of competition in a given country's retail market as a precondition for the rise or decline of consumer co-operative enterprises. Within this framework, decline in co-operative trade was typically seen to correlate with strong competition, while success for co-operative businesses was seen to correlate with weak competition or slow adoption of large scale distribution systems.

At first glance, this reasoning seems to fit well with the findings of the present analysis. By 1950, the British retail market was already very competitive, while the Norwegian food retail market remained among Europe's most fragmented for another forty years. And indeed, in Britain co-operative trade declined while in Norway it prospered. We have also shown more specifically how the Norwegian co-ops were advantaged by the limited competitive climate characteristic of the country's food retail sector in the first three decades of the post-war years. Similarly, we have shown how the strong competition of the UK food market made survival and expansion of co-operative trade a more challenging task. An instinctive conclusion to these findings would be that the divergent development of co-operative trade was explained by differences in competitive climate.

As was noted in the introduction, however, a major problem with the type of reasoning offered by proponents of this framework is that it directly infers the causes for one macro observation (survival or collapse of consumer co-operation) from the existence or non-existence of another macro observation (competitive climate), without specifying the mechanisms

connecting the two. The relationship is simply too often anticipated and not investigated. In our investigation of the Norwegian and British consumer co-ops, it was thus argued that to relate the divergent developments of the two organisations merely to differences in the overall strength of the major competitors is a too simplistic form of reasoning. There are two reasons for this. First, when compared, it becomes evident that the Norwegian co-ops simply performed better than the British consumer co-ops. They transferred trade to larger units at a faster pace, they developed more efficient systems of distribution and they managed to redefine their ideological mission and secure a steady influx of new and loyal members in a better way. The progress of the Norwegian co-ops can therefore not be related singularly to the weakness of their competitors. It also has to be related to the administrative, operational and financial capabilities held by the Norwegian co-operators.

The second reason is related to how the Norwegian co-operators approached the intensified competition of the Norwegian retail market from the mid-1980s onwards. During this period, the Norwegian co-ops in many ways experienced the same challenges that the British had experienced thirty years earlier. But contrary to the British, the Norwegians managed to counter the challenge by implementing a series of drastic changes in how they organised their trading activities. The consequence was that they managed to contain their market share despite a strengthening of the competitive climate.

The argument that the survival and decline of consumer co-operative enterprises are intrinsically linked to the competitive climate in which these organisations have operated is thus only partly supported by the present analysis. When the Norwegian co-ops prospered during the 1950s, 1960s and 1970s, it was indeed operating in a market characterised by limited competition. At the same time, however, they were well ahead of their British counterparts and when competition intensified from 1990 onwards, they defended their market position and remained among the leading food retailers in the country. The claim that survival of co-operative enterprises may be explained by weak competition can thus not be sustained as a general argument. Subsequent studies should therefore investigate carefully, and case by case, how competition actually has been approached by the consumer co-operative in question and how the strategies chosen affected their survival.

The second explanatory framework presented in the introduction was the set of accounts focusing on how specific organisational and managerial aspects of the co-operative form of trade worked to shape the co-operative movements' competitiveness. These perspectives were of three major types. First, perspectives that focus on the role of the federative organisational model.

Second, perspectives that focus on the effect of organisational culture and third, perspectives pointing to the role of management.

Concerning the first, a major weakness pointed out in the introduction was, again, the tendency to make simplistic generalisations. The typical view announced by this perspective is that the federative model has disadvantaged the survival of co-operative trade. But, this general assertion is not supported by the findings of the present analysis. Studying the different organisational models of the Norwegian and British consumer co-operatives it has been shown that the Norwegian co-operators, compared with the British, were in fact advantaged by their federative organisational model. Developing a structure combining local control of retail operations within independent retail societies, with substantial centralisation, standardisation and integration of common functions such as wholesaling, distribution, buying and marketing, the Norwegian co-ops managed to reap the benefits of the chain store organisation without having to sacrifice the benefit of local market knowledge and local accountability. Thus throughout the post-war period the Norwegian co-ops advanced despite their continued reliance on a federative model. The comparison with Britain has, indeed, suggested that the model was an advantage.

The general conclusion that the federative organisational structure is 'at a serious disadvantage' can therefore not be sustained.⁸⁹⁹ Students of consumer co-operative development should therefore refrain from simplistic generalisations concerning the effect of different organisational models on consumer co-operative survival and rather investigate in detail how the organisational structure operated by a given co-op has in fact shaped its development.

Concerning the two other perspectives within this framework, the role of organisational culture and the role of co-operative managers in shaping the development of consumer co-ops, the conclusions in the introductory evaluation were largely that more research was needed to decide their actual applicability to the study of consumer co-operative development. The present study has demonstrated the usefulness of both explanations, and outlined in detail how organisational culture and managerial capabilities matter in the development of consumer co-operative enterprises.

The cultural perspective generally presupposes that factors related to the overall attitudes and beliefs held by dominant co-operators and which are ultimately contained in a detectable organisational culture, shape the development of consumer co-operatives. Typically, studies have shown how co-operative decline has been caused by conservatism or by 'a culture of not facing

⁸⁹⁹ J. Brazda and R. Schediwy, 'Federal co-operative systems – part of the problem or part of its solution?', *The World of Co-operative Enterprise*, (1996), 11-16.

problems’.⁹⁰⁰ The present study has similarly argued that the economic decline of the British consumer co-operatives was partly related to how dominant values and belief systems held by British co-operators hindered and delayed vital reforms in the operational and organisational structure of the co-ops movement. At the same time, however, the study has also shown how cultural factors may have a positive effect on consumer co-operative development. In the case of Norway, the dominance of a pragmatist and commercially oriented organisational culture facilitated a fast and effective adaptation to the competitive and societal challenges of the post-war years, ultimately laying the grounds for further expansion in co-operative trade. Hence, it seems evident that even if consumer co-operative organisations belong to an international movement of consumer co-operatives, they have developed and operated according to highly nation specific organisational cultures. Future studies should therefore provide major attention to how different organisational cultures among different consumer co-operative enterprises may have created different paths of economic development.

Existing studies focusing on the role of managers in shaping consumer co-operative development has also largely focused on cases of decline. Again, the present study has shown the viability of this perspective when analysing success. Specifically, it has analysed how a stable and visionary management, with the ability to draw authority from existing organisational structures, may have a substantial positive impact on the development of consumer co-operatives. The role of managers in creating co-operative success should therefore not be confined to that of a pre-war development, as has been the tendency in existing accounts.⁹⁰¹ The present study has shown the fruitfulness of adding a ‘managerial perspective’ in the study of post-war developments and also outlined more specifically how managers may take on a vital role in creating co-operative success.

The third explanatory framework introduced in chapter one was the political. This perspective was shown to depart in two major directions. Some focus on the role of direct political hostilities as explanations for co-operative decline. Others focus on how the existence of positive discrimination on behalf of the co-operative form of enterprise explains continued growth among such types of organisations. In evaluating these studies it was argued that they have generally failed to convince in their analysis of how the political milieu have actually shaped

⁹⁰⁰ J. Brazda and R. Schediwy, ‘Consumer co-operatives on the defensive. A short overview’, in J. Brazda and R. Schediwy (eds), *Consumer co-operatives in a changing world, vol. 1* (Geneva: International Co-operative Alliance, 1989), p. 33.

⁹⁰¹ See chapter one in the present thesis and J. Brazda and R. Schediwy, ‘Preconditions for successful co-operative ventures in the light of historical evidence’, *Review of International Co-operation*, 94:1 (2001), 35-42.

consumer co-operative strategic choices and subsequently also their development. Again they tend to draw simplistic conclusions based on parallel observations at the macro level.

This does not, however, imply that the perspective is unfruitful and the present study has tried to show how co-operative development may be shaped by different kinds of political processes. In the Norwegian case it was shown how the development of a feeling of shared interest and common values between co-operators on the one hand and national and local political leaders on the other, had many positive effects on the development of co-operative trade. The co-operators trusted that the political authorities could take good care of functions earlier handled by the co-ops and they could thus focus more on their core commercial functions. Ultimately this helped secure further growth. In Britain by contrast, conflicting relationships with the political environment made the co-ops refrain from cooperation or the handing over of responsibilities to state led or private organisations. They simply felt they could not abandon their broader task of societal improvement as long as these were not well enough handled by alternative public organs. The end result was the British co-operators continued to operate according to broad societal goals, unlike the Norwegians who had defined their main mission simply as one of rationalising the existing retailing industry along co-operative lines.

Studies of the role of politics in shaping co-operative development have primarily focused on the role of direct positive discrimination or alternatively the role of direct political opposition. These studies have, however, had some problems specifying exactly how this relationship unfolds. The present study has therefore highlighted the importance of more indirect types of political influence. The more general finding seems to be that co-ops which are able to square their interest with the dominant political milieu and develop a general confidence in the ability of the political authorities to take care of important societal functions, may have a clear advantage over those movements not able to square their interests with dominant political groups or share a similar confidence in the abilities of politics.

A fourth set of explanations presented in the introductory part were the ideological ones. These were of three main kinds. They concerned the role of the dividend in shaping co-operative successes, the role of societal and cultural transformations more generally and the role of membership participation.

The dividend explanation relates co-operative development to the ability of the co-ops to retain the dividend principle as a specific advantage of co-operative trade. The typical argument is that reductions or abandonment of dividend payment is positively related to co-operative decline and vice versa. The present study has largely supported this assertion, arguing that the stable dividend payments of the Norwegian co-ops were an important factor in shaping the continued

increase in membership during the post-war period. This increase ultimately helped stabilise the co-operative market share. The contrary experience was seen in Britain where continued decline in co-operative membership went alongside massive experimentation with alternative forms of surplus distribution and in some instances total abandonment of the dividend. Hence, even if the dividend obviously has lost much of its importance in the day-to-day economic survival of the consumer, it still may attract members to join the co-op and also work to stabilise the market position of co-operative trade.

Turning to the role of general social and cultural transformations in shaping consumer co-operative success, it was argued in the introductory chapter that existing accounts pointing to the importance of such factors have failed to provide convincing empirical backing for the conclusions drawn. After the present study has been conducted, it is evident that many of their assertions do not hold. Take for example the argument that the inability to adapt to the 'major shift away from food as the primary item of expenditure' was a factor causing serious problems for the co-operatives.⁹⁰² Such an explanation can, for one, not account for the lack of progress in the food business, the dominant form of trade in most consumer co-ops. It is self-evident that the declining markets share within the food trades experienced by the British consumer co-ops throughout the entire post-war period can not be accounted for by a general failure to expand into other types of trades. Moreover, the inability to widen the scope of products sold through the co-operative shops has not always caused economic problems and subsequent collapse. Indeed, the Norwegian consumer co-operatives have never managed to create a stable profitability within the non-food segment. Rather, most attempts at developing independent non-food businesses have turned into fiascos, causing huge financial losses for both the NKL and the retail societies.⁹⁰³ The movement still managed to survive and flourish within the food trades.

Despite these specific objections, the general claim that societal transformations have fundamentally affected the unequal post-war development of consumer co-operative enterprises should not be discounted. If we are to fully understand this relationship we need, however, to specify concretely how the societal changes in question actually affected aspects of co-operative trade. In this respect, the present study specifically focused on how societal and competitive transformations challenged three basic aspects of the co-op as an alternative organisational form:

⁹⁰² E. Furlough and C. Strikwerda, 'Economics, Consumer Culture and Gender: An Introduction to the Politics of Consumer Cooperation', in E. Furlough and C. Strikwerda (eds), *Consumers against Capitalism? Consumer Cooperation in Europe, North America and Japan, 1840-1990* (Lanham: Rowman and Littlefield Publishers Inc, 1999), p. 34.

⁹⁰³ For a few examples see E. Ekberg and J. Vatnaland, *Visjonen som brast. Forbrukersamvirkets møbelsatsing 1993-2001* (Oslo: Institute for social research, 2003) and E. Ekberg and J. Vatnaland, 'The organisational dynamics of success and failure: The failed expansion of the Norwegian consumer co-operatives, 1990-2000. Paper presented at the tenth annual conference of the European Business History Association, Copenhagen 17-20 August 2006.

its legitimacy as a consumer movement, the popular support for its democratic decision-making structure and its claim to offer unique economic advantages to the consumer by distributing a share of the enterprise's surplus to the members on the basis of use. It was further shown how different approaches to these challenges affected the development of consumer co-operative trade in Norway and Britain. By integrating traditional societal functions with day-to-day trading operations, by focusing exclusively on the economic advantages offered by co-operative membership and by developing a coherent national membership scheme, the Norwegian co-ops managed to sustain substantial popular support in the form of increased membership and strong customer loyalty. The British movement on the other hand, struggled harder to find an effective strategy of adaptation and ultimately failed to keep similar popular support as the Norwegians.

The final set of explanations within this framework is represented by those arguing that the development of consumer co-operative enterprises needs to be related to how they have managed to secure active membership participation. The general argument offered by this perspective is, put simply, that low levels of membership participation causes decline, while more substantial levels of membership participation facilitates co-operative progress.

If by participation is meant participation in the democratic-decision making procedures of the co-op, these assertions have not been sustained by the present analysis. As we recall from a previous chapter, some British co-operators were inclined to suggest that the many problems experienced by the British movement were caused by its inability to sustain an acceptable level of democratic participation.⁹⁰⁴ But, compared with the continued progress of the Norwegians, this reasoning does not hold. The simple fact is that the advance of the Norwegian consumer co-operatives throughout the post-war years was not paralleled with active membership participation in the democratic decision-making procedures of the movement.

If, however, participation refers more broadly to active membership involvement in the form of high levels of savings or strong buying loyalty, such aspects seem to have a closer relation to the fortunes of co-operative trade. As we recall from the analysis, the Norwegian co-ops, in contrast to the British, already from the 1950s onwards defined participation in a broad fashion, including such things as member's savings and members buying loyalty. By way of this broad focus they managed to increase members' savings and thus increase the available capital for expansions. They also managed to sustain high levels of buyer's loyalty. Hence, during the 1990s, when competition in the Norwegian retail market was radically strengthened, members' average

⁹⁰⁴ See chapter nine in the present thesis.

buying in the co-operative store increased by approximately 14 per cent in fixed prices.⁹⁰⁵ Hence, while the effect of democratic participation on co-operative development seems quite tenuous, the ability to secure membership participation in a broader sense of the word seems to have a positive effect on consumer co-operative development.

Finally, we turn to the adaptation perspective and specifically the work of Patricia Battilani. Studying the achievement of the Italian consumer co-operatives, Battilani showed how the success of this movement in the last quarter of the twentieth century was related to its ability to implement three basic strategies. First, the development of a nationally governed 'system of firms', securing 'collaboration and exchange of experiences among single co-operatives'; secondly the ability to 'make the renewal and modernisation of retail outlets ... [a] main goal'; and thirdly, the ability of the co-operative movement to 'revaluate its role in society'.⁹⁰⁶ She further shows how the implementation of these strategies was secured by a genuine pro-active approach to the challenges of the post-war period, as well as a general inclination among the co-ops to join forces in order to sustain their competitiveness and societal importance.

Battilani's findings closely resemble those of the present study. As in the Italian case, the Norwegian success was based on the ability of the movement to adapt its commercial operations, organisational structure and ideological profile in such a way that it became capable of dealing with the competitive and societal transformations of the post-war era. Both organisations managed to develop a competitive structure of stores, to reconcile their federative model into an efficient system of distribution and to develop an image of their organisation capable of attracting support from present day consumers. They managed these tasks by taking an active and pragmatist approach to the challenges of the post-war period and by advocating cooperation between local and regional retail societies and their national federations.

As such, the perspective offered by Battilani, when held up against the findings of the present analysis, is indeed very promising. Further strength is added to this perspective when compared with the findings of Leigh Sparks, analysing the core problems of British consumer co-operative trade by the turn of the millennium. As we recall from the introduction, Sparks point to three areas where the co-ops have been left behind their competitors. These are 'the development of new formats, the development of the corporate brand and the importance of logistics'.⁹⁰⁷

⁹⁰⁵ Figures adopted from E. Lange (ed.), E. Ekberg, E. Merok, I. Theien and J. Vatnaland, *Organisert kjøpekraft. Forbrukerens historie i Norge* (Oslo: Pax, 2006), p. 532.

⁹⁰⁶ P. Battilani, 'How to beat competition without losing co-operative identity: the case of Italian consumer co-operatives', in ACTA of the International Congress, *Consumerism versus capitalism? Co-operatives seen from an international comparative perspective* (Gent: AMSAB, 2005), p. 113./p. 117/p. 122.

⁹⁰⁷ L. Sparks, 'Being the best? Co-operative retailing and corporate competitors', *Journal of Co-operative Studies*, 104 (2002), 14.

Analysing these three areas respectively Sparks show how the troubled position of the British co-ops is related to how they have failed to measure up to their main competitors along all these lines.

The factors highlighted by Sparks are essentially the same as those investigated by Battilani. The major strength of this perspective is how it relates co-operative development directly to major transformations in the retailing industry. It focuses on some of the most vital changes in the competitive and societal environment in which the co-ops have operated and analyse how the co-ops have approached these changes. Such an analytical framework is exactly what the present study has tried to develop.

Existing studies of the post-war development of consumer co-operative enterprises have offered many interesting and important suggestions in their attempt to understand the development of this alternative form of retail enterprise. The present study has partly supported the existing findings, partly refined them and also in some instances criticised them and offered alternative interpretations. Taken together, the discussion of the present sub-chapter have thus offered an attempt to widen the scope of the main analysis and to provide new and improved insights into the more general phenomenon of post-war success and decline among consumer co-operative organisations.

Further research

The starting point of the present study was to explore the divergent developments of consumer co-operative enterprises during the post-war period. The contention was that this is a historical phenomenon not adequately understood in existing research and that there was a need for a fresh approach. The approach offered was to conduct a thorough historical inquiry into the divergent developments of the Norwegian and British consumer co-operatives, focusing on how these two organisations approached fundamental transformations in the societal and competitive environment in which they operated and how this approach shaped the two movements' economic development. The present conclusion has summarised the main findings of the comparative analysis. It has also discussed these findings in light of existing research and suggested some more general interpretations of the factors shaping post-war success and decline among consumer co-operative enterprises.

Writing the economic history of consumer co-operation is in many ways to write the history of a loser. The dominant, and for most also the ideal form of economic organisation today is represented by the investor-owned, capitalist firm. Consumer co-operatives are largely

neglected by modern economics.⁹⁰⁸ They have also been more or less overlooked by historians of modern retailing. In the public perception, the co-ops is typically regarded an outmoded organisational form, something that existed ‘in the past’. But as we have seen in the present study, consumer co-operatives continue to thrive in several markets. They have adapted their stores, their organisational structures and their ideological basis to the demands of a (post)modern consumer society, but continue to endorse important alternative principles of economic organisation. In Norway, the co-op is still owned by its users. The retail societies are still governed by formal democratic procedures. And each year a substantial share of the surplus is handed out to the owners in the form of dividend on purchase.

Apart from understanding the divergent development of the British and Norwegian consumer co-operatives, the analysis offered here has been an attempt to increase the overall awareness of the co-op as an alternative form of economic organisation. Such increased awareness of alternative ways of organising economic activity is important in a time where a single type of economic organisation seem to dominate. On these grounds, it is also contended that economic historians should take more interest in studying consumer co-ops. The analysis offered here can only be regarded as one step. There is still need to increase our understanding of the consumer co-operative as an alternative figure in the history of modern retailing. Let me conclude by suggesting some possible avenues such research might take.

I suggest that there is need to do more research along the lines developed here. That is, there is a need to study how consumer co-operative enterprises in other countries have approached the post-war challenges to their operational, organisational and ideological environment and how differences in approach have shaped these organisations developments.

As our basic knowledge of developments in different countries becomes more sophisticated, there also might be a substantial potential in developing broader historical comparisons including more countries in one systematic analysis. One possible avenue for such research would be to adopt advanced qualitative statistical techniques capable of comparing large data sets in a systematic cross-case analysis.⁹⁰⁹

A third avenue of research would be to study consumer co-operative development from below. The present analysis has focused on the development of national consumer co-operative enterprises. It has studied these developments through national co-operative archives, using statistical overviews and other data on general development patterns as the prime source of

⁹⁰⁸ See T. Kalmi, ‘The Disappearance of Co-operatives from Economics Textbooks’, *Cambridge Journal of Economics*, 31:4 (2007), 625-47.

⁹⁰⁹ So-called qualitative comparative analysis (QCA), see e.g. C. Ragin, *Fuzzy-Set Social Science*. Chicago: University Chicago Press, 2000).

information. The main goal has been to develop an overall interpretation of the development taking place and departures from the 'average' pattern have not been scrutinised. In a recent study of British and Swedish consumer co-operatives, Swedish historian Katarina Friberg chose a very different approach from that taken here.⁹¹⁰ She studied and compared the developments of two retail societies, one in Britain and one in Sweden. On the account of this comparison she developed a general argument concerning the internal 'workings of co-operation'. Future research focusing more explicitly on the economic development of consumer co-operative retailers might have much to gain by taking such an approach from below. Studying the comparative development of, say, two retail societies in Britain and Norway, focusing on how these societies adapted their trading operations in order to approach local challenges to their market position, their profitability and their membership, would surely offer interesting additional viewpoints to the analysis presented here. I believe, however, that it would not dramatically alter the conclusions put forward in this thesis.

⁹¹⁰ See K. Friberg, *The workings of co-operation. A comparative study of consumer co-operative organisations in Britain and Sweden 1860 to 1970* (Växjö: Växjö University Press, 2005).

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*The archive of the Norwegian Co-operative Association (NKL), Kirkegata 4 Oslo*⁹¹¹

The archive of the Norwegian Co-operative Association (NKL) holds the main collection of sources on the development of consumer co-operative trade in Norway. The archive holds collections concerning the development of the NKL as well as the development of the broader movement. The prime focus of study was protocols from the NKL Board and from the NKL Board of Representatives:

- K4, various shelves, NKL Board of Representatives, protocols 1949- 1965
- K4, anteroom of the administration, safe, NKL Board, protocols 1952-2002

The archive also holds a large collection of letters and documents from the Board of NKL in the period from 1945-1965. These are organised thematically, under such headings as 'grocery department', 'the Filipstad commission' etc. In addition there are different, rather unorganised boxes containing various documents from the NKL secretariat/head of administration. In particular the following proved valuable:

- K4, 6A, letters from the board, boks merket, styrets brev 1949
- K4, 6b, 4, memo by S. Nilsen, 'Ad. N.K.L.s organisasjonsform', 16 June 1952
- K4, 5B, letters from the board, boks merket, styrets brev A-F
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⁹¹¹ After the data collection was made, the archive has been moved to the National Archives (Riksarkivet).

In addition, for the period from 1980 to 2000 the archive contains a full collection of all documents presented at each board meeting. These have all been systematically researched:

- K4, various shelves, NKL Board meetings, documents 1980-2002

I have also investigated three smaller selections of private archives from Peder Søliland, Knut Moe and Olav Meisdalshagen.

- K4, anteroom of the administration, safe, Peder Sølilands etterlatte materiale
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- K4, 6A, Hylle 2, boks 11 merket O. Meisdalshagen - Diverse korrespondanse
- K4 6A, Hylle 2, boks 12 merket Olav Meisdalshagens etterlatte arkiv

Printed co-operative sources

The archive of the Norwegian Co-operative Association (NKL), Kirkegata 4 Oslo and The National Co-operative Archive, Manchester, UK

In addition to the unprinted sources, the study draws heavily on various types of printed sources. The large majority of these have been collected from the National Co-operative Archive in Manchester, UK. This archive holds a wide array of records relating to the British consumer co-operative movement, as well as to co-operative businesses worldwide.

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